APPENDIX 4D

HALF YEAR REPORT

PERIOD ENDING 31ST DECEMBER 2012

1. Name of entity

Strategic Elements Limited

ABN	Financial year ended ('current period')
47 122 437 503	31 December 2012
	Previous corresponding period
	31 December 2011

2. Results for announcement to the market

		Movement	%	**To 31-Dec-12 $'000**	**From 31-Dec-11 $'000**
2.1	Revenues from ordinary activities	down	31%	70	102
2.2	Net loss for the period attributable to members after tax	down	39%	(274)	(446)
2.3	Net loss for the period from ordinary activities attributable to members	down	39%	(274)	(446)

2.4	Dividends	Amount per security	Franked amount per security
	Final – Ordinary Dividend	N/A	N/A
	Interim – Ordinary Dividend	N/A	N/A
2.5	Record date for determining entitlements to the dividend	No interim dividends have been paid or provided for during the period.	
2.6	Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.	See Directors Report and the Financial Report for the Half-Year Ended 31 December 2012.	

		31-Dec-2012	**31-Dec-2011**
3	Net Tangible Assets per security	2.20 cents	2.65 cents
4	Entities over which control has been gained or lost during the period	N/A	N/A
5	Details of dividend distribution	N/A	N/A
6	Details of re-investment plans	N/A	N/A
7	Details of joint venture entities and associated	N/A	N/A
8	Foreign Entity Accounting Standards	N/A	N/A
9	Audit dispute or qualification	N/A	N/A

Sign here: Company Secretary

Date: 27-February-2013

Print Name: Matthew Howard

STRATEGIC ELEMENTS

STRATEGIC ELEMENTS LIMITED

A.B.N. 47 122 437 503

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Contents ***Page***

CORPORATE INFORMATION

Directors
Seng Yap (Non-Executive Chairman)
Charles Murphy (Managing Director)
Matthew Howard (Executive Director)
Elliot Nicholls (Executive Director)

Company Secretary
Matthew Howard

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Auditors
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Level 3, 88 William Street
Perth WA 6000
Australia

Solicitors
Kings Park Corporate Lawyers
Suite 8,
8 Clive Street
West Perth WA 6005
Australia

Share Registry
Security Transfer Registrars
770 Canning Highway
Applecross WA 6153
Australia

ASX code: SOR

DIRECTORS' REPORT

The directors of Strategic Elements Limited submit herewith the interim financial report of Strategic Elements Limited and its subsidiaries ("Consolidated entity" or "Group") (ASX code: SOR) for the half-year ended 31 December 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

Name(s)	
Mr. S. Yap	Non-Executive Chairman
Mr. C. Murphy	Managing Director
Mr. M. Howard	Executive Director
Mr. E. Nicholls	Executive Director

Directors were in office for the entire period unless otherwise stated.

REVIEW OF OPERATIONS

(a) Overview

The Company is a registered Pooled Development Fund. Throughout the period the Company has continued to fund and support its main investee Company, Strategic Materials Pty Ltd. The primary objective is to provide order of magnitude returns for shareholders through an investee making a major discovery. The Company is well resourced and has a very low cost structure. A focus on capping corporate admin overheads as low as possible was maintained throughout the year.

Strategic Materials Pty Ltd (SML)

SML took advantage of a limited window of opportunity to increase its portfolio of 100% owned intrusion related projects in New Zealand. During the period the Rylstone project license in New South Wales was allowed to expire and SML received the grant of all permits within its portfolio by the New Zealand government. Exploration was conducted at the Hohonu Project, Rangitoto Project and the West Wanganui Project.

(b) Operating result

The Group incurred an after tax loss for the half-year ended 31 December 2012 of $273,648 (2011: $446,443). The loss was attributable to the funding of project development conducted through the Group's subsidiaries and the costs associated with operating an ASX listed company in Australia.

Corporate

On 31 December 2012 the Group had a cash balance of $3,055,817.

EVENTS AFTER THE BALANCE DATE

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

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Nexia Perth Audit Services Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 5 and forms part of the directors' report for the half-year ended 31 December 2012.

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

On behalf of the Directors

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Charles Murphy
Managing Director
Perth, 27 February 2013

Auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of Strategic Elements Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the period ended 31 December 2012 there have been:

(i) no contraventions of the auditors independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

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

Nexia Perth Audit Services Pty Ltd

PTC Klopper
Director

Perth
27 February 2013

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	CONSOLIDATED	
		Half-year ended 31 Dec 2012 $	Half-year ended 31 Dec 2011 $
Revenue from continuing operations		-	-
Project development		(83,836)	(112,243)
Employee benefits	1,2	(153,500)	(251,794)
Depreciation		(2,516)	(2,389)
Other expenses		(103,517)	(181,571)
Loss from operating activities		(343,369)	(547,997)
Financial income		71,161	101,554
Financial expenses		(1,440)	-
Net financing income		69,721	101,554
Loss before income tax expense		(273,648)	(446,443)
Income tax expense		-	-
Loss for the period		**(273,648)**	**(446,443)**
Other comprehensive income/(expenses)			
Other comprehensive income/(expenses) for the period		-	-
Total comprehensive loss for the period		**(273,648)**	**(446,443)**
Basic and diluted loss per share (cents per share)		(0.20) cents	(0.33) cents

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	CONSOLIDATED 31 Dec 2012 $	CONSOLIDATED 30 June 2012 $
Current assets			
Cash and cash equivalents		3,055,817	3,360,771
Trade and other receivables		27,806	40,654
Other assets		35,801	37,947
Total current assets		3,119,424	3,439,372
Non current assets			
Plant and equipment		12,886	15,402
Total non current assets		12,886	15,402
Total assets		3,132,310	3,454,774
Current liabilities			
Trade and other payables		93,822	142,638
Total current liabilities		93,822	142,638
Total liabilities		93,822	142,638
Net assets		**3,038,488**	**3,312,136**
Equity			
Issued capital	3	5,166,572	5,166,572
Share-based payment reserve		90,424	90,424
Accumulated losses		(2,218,508)	(1,944,860)
Total equity		**3,038,488**	**3,312,136**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	CONSOLIDATED	
	Half-year ended 31 Dec 2012 $	**Half-year ended 31 Dec 2011 $**
Cash flows from operating activities		
Interest received	75,173	87,541
Project development expenditure	(43,893)	(67,606)
Payments to suppliers and employees	(336,234)	(397,861)
Net cash used in operating activities	(304,954)	(377,926)
Cash flows from investing activities		
Payments for purchases of plant and equipment	-	(3,089)
Net cash used in investing activities	-	(3,089)
Cash flows from financing activities		
Proceeds from share subscriptions	-	40,900
Costs of capital raising	-	(36,696)
Net cash provided by financing activities	-	4,204
Net decrease in cash and cash equivalents	(304,954)	(376,811)
Cash and cash equivalents at the beginning of the period	3,360,771	4,027,657
Cash and cash equivalents at the end of the period	**3,055,817**	**3,650,846**

The accompanying notes form part of these financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Issued Capital	Share-based payment reserve	Accumulated Losses	Total Equity
	$	$	$	$
Balance at 1 July 2011	2,758,429	49,733	(1,135,699)	1,672,463
Total comprehensive loss for the period				
Loss for the period	-	-	(446,443)	(446,443)
Total comprehensive loss for the period	-	-	(446,443)	(446,443)
Transaction with owners of the Company recognised directly in equity				
Issue of shares for cash	2,464,820	-	-	2,464,820
Share issue costs	(58,074)	-	-	(58,074)
Share-based payment	-	27,127	-	27,127
Balance at 31 December 2011	5,165,175	76,860	(1,582,142)	3,659,893
Balance at 1 July 2012	5,166,572	90,424	(1,944,860)	3,312,136
Total comprehensive loss for the period				
Loss for the period	-	-	(273,648)	(273,648)
Total comprehensive loss for the period	-	-	(273,648)	(273,648)
Balance at 31 December 2012	5,166,572	90,424	(2,218,508)	3,038,488

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Company's financial report for the financial year ended 30 June 2012.

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

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as the consolidated entity in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the consolidated entity.

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

Adoption of new and revised Accounting Standards
The Group has reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. The Group has decided against early adoption of any new Standards and Interpretations. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgements and Key Estimates

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

In preparing this interim financial report the significant judgements made by management in applying the consolidated entity's accounting policies and key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Employee benefits

	1 July 2012 to 31 December 2012 $	1 July 2011 to 31 December 2011 $
Share-based payments expense		
Shares issued	-	46,667
Options issued	-	27,127
Directors' fees	153,500	178,000
Balance at end of period	153,500	251,794

3. Issued capital

	31 December 2012 $	31 December 2011 $
Issued and paid up capital		
Fully paid ordinary shares	5,166,572	5,165,175

	31 December 2012 Number	31 December 2011 Number
Movements in fully paid shares on issue		
At beginning of period	138,223,276	125,899,176
Issue of shares for cash	-	12,324,100
Balance at end of period	138,223,276	138,223,276

4. Commitments and Contingencies

	31 December 2012 $	31 December 2011 $
Commitments		
Exploration expenditure commitments		
Minimum exploration expenditure:		
not later than 1 year	265,236	164,884
Later than 1 year but not later than 5 years	726,357	1,081,745
	991,593	1,246,629

In the opinion of the directors there were no contingent liabilities at the date of this report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Segment Information

The following table presents the revenue and loss information regarding the segment information provided to the Board of Directors for the half-year periods ended 31 December 2012 and 31 December 2011:

	Rare earths and rare materials	Research & development	Unallocated Corporate	Total
	$	$	$	$
31 December 2012				
Segment revenue	-	-	71,161	71,161
Segment result	(94,680)	-	(178,968)	(273,648)
Included within segment results:				
Depreciation	-	-	(2,516)	(2,516)
Financial income	-	-	71,161	71,161
Segment assets	1,493	-	3,130,817	3,132,310
Segment liabilities	60,421	-	33,401	93,822
31 December 2011				
Segment revenue	-	-	101,554	101,544
Segment result	(136,892)	(18,480)	(291,071)	(446,443)
Included within segment results:				
Depreciation	(280)	-	(2,109)	(2,389)
Financial income	-	-	101,554	101,554
Segment assets	4,738	5,919	3,734,020	3,744,677
Segment liabilities	46,594	8,550	29,640	84,784

6. Events after the balance sheet date

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

7. Related Parties

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

8. Subsidiaries

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

DIRECTORS' DECLARATION

In the opinion of the Directors of the Company:

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

   (a) complying with Accounting Standard AASB134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year then ended.

2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the Corporations Act 2001.

On behalf of the Directors

Charles Murphy
Managing Director
Perth, 27 February 2013

nexia australia

the next solution

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

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Strategic Elements Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2012, the condensed consolidated statement of profit or loss and comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, notes comprising a summary of accounting policies, other explanatory notes 1 to 8, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the interim period.

Directors' Responsibility for the Interim Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Strategic Elements Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

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Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the period ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001.*

NPAS

Nexia Perth Audit Services Pty Ltd

PTC Klopper
Director

Perth
27 February 2013