

APPENDIX 4D

HALF YEAR REPORT

PERIOD ENDING 31ST DECEMBER 2015

1. Name of entity

Strategic Elements Limited

ABN

47 122 437 503

Financial year ended ('current period')

31 December 2015

Previous corresponding period

31 December 2014

2. Results for announcement to the market

		Movement	%	To 31-Dec-15 \$'000	From 31-Dec-14 \$'000
2.1	Revenues from ordinary activities	down	32%	11	17
2.2	Net loss for the period attributable to members after tax	up	114%	(590)	(275)
2.3	Net loss for the period from ordinary activities attributable to members	up	114%	(590)	(275)
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.	.			

		31-Dec-2015	31-Dec-2014
3	Net Tangible Assets per security	0.83 cents	0.97 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: 26-February-2016

Print Name: Matthew Howard

STRATEGIC ELEMENTS LIMITED

A.B.N. 47 122 437 503

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2015

STRATEGIC ELEMENTS LIMITED

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CORPORATE INFORMATION

Directors

Charles Murphy (Interim Executive Chairman)
Matthew Howard (Executive Director)
Elliot Nicholls (Executive Director)

Company Secretary

Matthew Howard

Registered office

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Subiaco WA 6008
Australia

Principal place of business

Suite 6, 27 Railway Rd
Subiaco WA 6008
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Website: www.strategicelements.com.au

Auditors

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

Solicitors

Kings Park Corporate Lawyers
Level 2, 45 Richardson 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 2015. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

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

Mr. S. Yap	Non-Executive Chairman (resigned 1 September 2015)
Mr. C. Murphy	Managing Director (Interim Chairman appointed 1 September 2015)
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

During the half-year ended 31 December 2015, the Company focused its resources on progressing the Nanocube technology held in 100% owned subsidiary Australian Advanced Materials Pty Ltd.

Australian Advanced Materials has rapidly developed the Nanocube technology throughout the period, achieving a number of key development milestones. Research and development is ongoing in conjunction with UNSW.

Maria Resource and Strategic Materials have continued work to maintain their respective mineral permits.

Australian Advanced Materials and Maria Resources have applied for registration under the R&D Tax Incentive Program for research and development conducted during the FY15 year. If eligible, a significant proportion of research and development expenditure may be rebated.

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

(b) Operating result

The Group incurred an after tax loss for the half-year ended 31 December 2015 of \$590,300 (2014: \$274,665). 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.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

(c) Corporate

On 31 December 2015 the Group had a cash balance of \$1,633,026.

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 6 and forms part of the directors' report for the half-year ended 31 December 2015.

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

On behalf of the Directors



Charles Murphy
Managing Director
Perth, 26 February 2016

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 2015 there have been:

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

NPAS

Nexia Perth Audit Services Pty Ltd

PTC Klopner

PTC Klopner
Director

Perth
26 February 2016

STRATEGIC ELEMENTS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	CONSOLIDATED	
		Half-year ended	Half-year ended
		31 Dec 2015	31 Dec 2014
		\$	\$
Revenue from continuing operations	2	4,991	-
Project development		(163,984)	(46,104)
Employee benefits	3	(216,771)	(158,050)
Depreciation		(1,696)	(1,660)
Marketing expense		(40,359)	(1,274)
Share-based payment expense	4	(15,323)	-
Other expenses		(169,316)	(84,469)
Loss from operating activities		(602,458)	(291,557)
Financial income		11,472	17,836
Financial expenses		(899)	(897)
Foreign exchange differences		1,585	(47)
Net financing income		12,158	16,892
Loss before income tax expense		(590,300)	(274,665)
Income tax expense		-	-
Loss for the period		(590,300)	(274,665)
Total comprehensive loss for the period		(590,300)	(274,665)
Basic and diluted loss per share (cents per share)		(0.32) cents	(0.20) cents

The accompanying notes form part of these financial statements.

STRATEGIC ELEMENTS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	CONSOLIDATED	
		31 Dec 2015	30 June 2015
		\$	\$
Current assets			
Cash and cash equivalents		1,633,026	2,149,278
Trade and other receivables		29,117	41,480
Other assets		38,966	47,839
Total current assets		1,701,109	2,238,597
Non-current assets			
Plant and equipment		8,796	7,894
Total non-current assets		8,796	7,894
Total assets		1,709,905	2,246,491
Current liabilities			
Trade and other payables		153,746	145,355
Total current liabilities		153,746	145,355
Total liabilities		153,746	145,355
Net assets		1,556,159	2,101,136
Equity			
Issued capital	5	6,597,838	6,567,838
Share-based payment reserve		21,139	7,270
Accumulated losses		(5,062,818)	(4,473,972)
Total equity		1,556,159	2,101,136

The accompanying notes form part of these financial statements.

STRATEGIC ELEMENTS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	CONSOLIDATED	
	Half-year ended 31 Dec 2015 \$	Half-year ended 31 Dec 2014 \$
Cash flows from operating activities		
Refunds received	4,384	15,389
Interest received	11,472	17,836
Interest paid	(899)	(897)
Project development expenditure	(157,542)	(129,720)
Payments to suppliers and employees	(401,069)	(298,043)
Net cash used in operating activities	(543,654)	(395,435)
Cash flows from investing activities		
Payments for purchases of plant and equipment	(2,598)	-
Net cash used in investing activities	(2,598)	-
Cash flows from financing activities		
Proceeds from exercise of options	30,000	-
Net cash from financing activities	30,000	-
Net decrease in cash and cash equivalents	(516,252)	(395,435)
Cash and cash equivalents at the beginning of the period	2,149,278	1,732,018
Effect of exchange rates on cash balances	-	(67)
Cash and cash equivalents at the end of the period	1,633,026	1,336,516

The accompanying notes form part of these financial statements.

STRATEGIC ELEMENTS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Issued Capital	Share-based payment reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2014	5,166,572	90,424	(3,642,957)	1,614,039
<i>Total comprehensive loss for the period</i>				
Loss for the period	-	-	(274,665)	(274,665)
Total comprehensive loss for the period	-	-	(274,665)	(274,665)
Balance at 31 December 2014	5,166,572	90,424	(3,917,622)	1,339,374
Balance at 1 July 2015	6,567,838	7,270	(4,473,972)	2,101,136
<i>Total comprehensive loss for the period</i>				
Loss for the period	-	-	(590,300)	(590,300)
Other comprehensive income/(loss)				
Total comprehensive loss for the period	-	-	(590,300)	(590,300)
Transfer to accumulated losses from share-based payment reserve on exercise of options	-	(1,454)	1,454	-
Shares issued on exercise of options	30,000	-	-	30,000
Share-based payment	-	15,323	-	15,323
Balance at 31 December 2015	6,597,838	21,139	(5,062,818)	1,556,159

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES**Statement of compliance**

The interim financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, AASB 134 'Interim Financial Reporting', 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 Minerals Pty Ltd, Australian Advanced Materials Pty Ltd and Maria Resources Pty Ltd (previously named APEC Ventures 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 2015.

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.

Amendments to AASBs and the new Interpretations that are mandatory for the current reporting period

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Amendments to AASBs and the new Interpretations that are mandatory for the current reporting period (continued)

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

New or revised requirement	When effective	Applicability to 31 December 2015 half years
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.	Applicable to annual reporting periods beginning on or after 1 July 2015	Mandatory

The application of these amendments does not have any material impact on the disclosures in the Group's condensed consolidated financial statements.

Exploration and evaluation

Exploration and evaluation costs, excluding the costs of acquiring licences (acquisition costs), 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 only carried forward 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 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.

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 2015.

STRATEGIC ELEMENTS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Revenue from continuing operations

	1 July 2015 to 31 December 2015 \$	1 July 2014 to 31 December 2014 \$
Refunds	4,991	-
Balance at end of period	4,991	-

3. Employee benefits

	1 July 2015 to 31 December 2015 \$	1 July 2014 to 31 December 2014 \$
Directors' fees	187,000	158,050
Other employee salaries	29,771	-
Balance at end of period	216,771	158,050

4. 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.

The expense recognised in the period for the issue is \$15,323 (2014: \$nil).

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

The following PRs were issued during the year:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Share-based payments (continued)

The weighted average remaining contractual life of PRs at 31 December 2015 was 20.50 months.

The weighted average fair value of PRs at 31 December 2015 was 9.62 cents.

The inputs to the options valuation were:

	<i>Series No.1</i>	<i>Series No.2</i>	<i>Series No.3</i>	<i>Series No.4</i>
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
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.

5. Issued capital

	31 December 2015	30 June 2015
	\$	\$
<i>Issued and paid up capital</i>		
Fully paid ordinary shares	6,597,838	6,567,838
	6 months to 31 December 2015	12 months to 30 June 2015
	Number	Number
<i>Movements in fully paid shares on issue</i>		
At beginning of period	186,289,943	138,223,276
Exercise of options	300,000	-
Issue of shares for cash	-	48,066,667
Balance at end of period	186,589,943	186,289,943

STRATEGIC ELEMENTS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. Commitments and Contingencies

	31 December 2015 \$	31 December 2014 \$
Commitments		
Office lease expenditure commitments		
not later than 1 year	44,345	-
	<u>44,345</u>	<u>-</u>
Exploration expenditure commitments		
Minimum exploration expenditure:		
not later than 1 year	50,511	50,439
Later than 1 year but not later than 5 years	3,753,817	172,195
	<u>3,804,328</u>	<u>222,634</u>

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

7. 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 2014 and 31 December 2015:

	Metals and materials \$	Research and development	Unallocated Corporate \$	Total \$
31 December 2014				
Segment revenue	-	-	-	-
Segment result	(52,606)	-	(222,059)	(274,665)
Included within segment results:				
Depreciation	-	-	(1,660)	(1,660)
Financial income	-	-	17,836	17,836
Financial expense	-	-	(897)	(897)
Segment assets	4,975	-	1,405,395	1,410,370
Segment liabilities	39,533	-	31,463	70,996
31 December 2015				
Segment revenue	4,991	-	-	4,991
Segment result	(13,183)	(166,503)	(410,614)	(590,300)
Included within segment results:				
Depreciation	-	-	(1,696)	(1,696)
Financial income	1,585	-	11,472	13,057
Financial expense	-	-	(899)	(899)
Segment assets	121,125	7,762	1,581,018	1,709,905
Segment liabilities	9,799	3,309	140,638	153,746

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. 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.

9. Related Parties

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

10. Subsidiaries

The Company has a 100% interest in Strategic Materials Pty Ltd (incorporated 18 November 2009), Maria Resources Pty Ltd (previously named 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.

STRATEGIC ELEMENTS LIMITED

DIRECTORS' DECLARATION

In the opinion of the Directors of the Company:

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - (a) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

A handwritten signature in blue ink, appearing to read 'Charles Murphy', is written over a faint yellow rectangular highlight.

Charles Murphy
Managing Director
Perth, 26 February 2016

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 2015, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, notes comprising a summary of accounting policies, other explanatory notes 1 to 10, 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 2015 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*. 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.

Nexia Perth Audit Services Pty Ltd

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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 2015 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*.

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

Nexia Perth Audit Services Pty Ltd

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

PTC Kloppe
Director

Perth
26 February 2016