



SOR Pooled Development Fund Tax Benefits

Perth, Australia, 23 October 2020 – Strategic Elements Ltd (ASX:SOR) has received a number of enquiries from current shareholders and potential investors on the tax benefits of the Pooled Development Fund program. Some enquiries relate to whether the shareholder receives the capital gains tax free benefit on selling listed shares in SOR or whether the Company has this benefit on its investments. The Company confirms that it is the shareholder who potentially pays no capital gains tax on the profit made from selling their listed SOR shares. The Company provides the following information for clarification below.

Pooled Development Fund Overview

The aim of the Pooled Development Fund (PDF) program is to increase the supply of capital to Australian small and medium-size enterprises (SMEs). PDFs are venture capital funds registered under the Pooled Development Funds Act¹.

PDFs and their shareholders receive tax benefits on the income derived from their equity investments. This is to help compensate for the higher risk of investing in SMEs. **Shareholders are exempt from tax on the income and gains derived from holding and disposing of PDF shares²**. Shareholders should seek professional tax advice.

PDFs will be taxed at 15% on the income and gains derived from equity investments in Australian SMEs. The extent of the above tax benefits depends upon a number of factors.

The investee company must have issued shares to raise capital to:

- establish a new business activity
- substantially expand production capacity or services
- expand or develop markets

A PDF can't invest in companies whose primary activities are either:

- retail operations retail
- property development

About Strategic Elements

The Australian Federal Government has registered Strategic Elements as a Pooled Development Fund with a mandate to back Australian innovation. Strategic Elements operates as a 'venture builder' where it generates high risk-high reward ventures and projects from combining teams of leading scientists or innovators in the technology or resources sectors. Most investors in SOR pay no tax on capital gains from selling their SOR shares as the Company operates under a Federal Government program setup to encourage investment into innovation. The Company is listed on the ASX under the code "SOR". More information on the Pooled Development Program should be read on the Company's website at www.strategicelements.com.au

This announcement was authorised for release by Strategic Elements' Board of Directors.

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¹<https://www.legislation.gov.au/Series/C2004A04391>

²<https://www.business.gov.au/Grants-and-Programs/Pooled-Development-Funds>