



## Strategic Elements September Quarter Update

**Perth, Australia – 29 October 2021** Strategic Elements Ltd (ASX: SOR), a Pooled Development Fund with a mandate to back Australian innovation, provides the following Company update to accompany the attached Appendix 4C lodged for the quarter ending 30 September 2021.

*Managing Director Charles Murphy said “Progress in power output of the Battery Ink technology has been phenomenal in Q3 2021. The Company demonstrated a printed battery that produced more than a milliamp of electrical current solely from humidity in the air. This was in spite of restricted access to people, laboratories and specialised equipment.*

*We are very pleased that unrestricted access and full-time operations re-commenced at the University of New South Wales this week. This will enable us to increase resources available to the development team for the Q4 milestone, allow us to further enhance our printing capabilities and investigate the performance of an expanded range of Battery Ink cells for applications in addition to electronic skin patches. This will also enable certain work related to the Memory Ink to commence in Q1 2022.*

*The Electronic Skin Patch sector is attractively large and forecast to surge from a USD 10B market in 2019 to a USD 40B by 2030.<sup>1</sup> We have set a very aggressive target for the Battery Ink to demonstrate 5mA (milliamp) current output and 220mAh (milliampere hour) capacity in Q4 2021. This level of power output is potentially enough to power a majority of skin patch applications.*

*Stealth Technologies has been collaborating with global Fortune 100 software-industrial company ‘Honeywell’ to build autonomous security vehicles for the correctional sector. Work to finalise a new agreement with Honeywell to commercialise the ASV (Autonomous Security Vehicle) continued throughout the quarter. The Company also continued successful operation of the world’s first automated perimeter security testing and surveillance vehicle at the Eastern Goldfields Regional Prison. The parties also actively worked together throughout Q3 to further integrate the Stealth ASV technology into the Honeywell EBI (intelligent building automation and enterprise management system with thousands of systems deployed globally).*

*Stealth is also collaborating with Defence Science Technology Group (DSTG), part of the Australian Department of Defence, and the University of Western Australia to build a world first, autonomous drone carrying vehicle that automates detection and sensing of chemical, biological, radiological and nuclear agents. Significant development occurred in Q3 with Stealth engineers completing simulation testing of autonomous CBRN detection algorithms for drones with live field testing to commencing in Q4 2021. The team is also on track to deliver a second generation ASV II design that incorporates the upgraded sensor fusion stack and drone launch and land system in Q4 2021.*

*Stealth Agtech hardware and software upgrades were successfully conducted in Q3 and in-field testing completed. Review and validation of this data is currently being finalised. An expanded trial of the technology across multiple paddocks will be conducted in the Q4 2021 harvest.*

*During Q3 Stealth also continued development to incorporate the CSIRO Data61 Wildcat SLAM technology into its AxV platform. The Company also conducted significant market assessment of the Stealth AxV Platform in the mining industry. This identified a number of opportunities and the Company is seeking to commence initial work with a mining company in Q4 2021.*

*Maria Resources conducted further geophysical modelling and assessment of the Leviathan target as a volcano-intrusive complex in Q3. The Company’s current position is that whilst the Leviathan target is potentially too deep for the Company itself to drill, the surrounding area has different characteristics. In assessing Leviathan in Q3, certain aspects of the surrounding area were recognised and a further six permit applications were lodged in October 2021. The Company has a firm focus on critical minerals related to batteries and advanced technology and applying innovative geological models to unexplored terrains.*

*Minor expenditure was incurred in forming data subsidiary Cognition Engines Pty Ltd whilst Strategic Elements Director Matthew Howard commenced a technology scouting, IP lodgement and expert identification program. A patent application was made during Q3 2021 with the invention title Cognitive Engine”.*

## September Quarter 2021

The Company ended the September quarter with \$6.9M in cash. Across the group, **net** expenditure was \$1m. Strategic Elements Ltd incurred expenditure of \$567k, this included internal costs incurred in operating the ASX listed entity, the Pooled Development Fund and directly managing investee companies, principally Australian Advanced Materials (**memory and battery technology**) and Stealth Technologies (**robotics and artificial intelligence**). Significant technology scouting also occurred in the quarter.

Stealth Technologies (Stealth) incurred \$338k in direct costs related to staff and development costs across projects with Honeywell, Defence Science and technology Group and the Australian Herbicide Resistance Initiative/University of Western Australia. Stealth received \$68k in contract revenue during the September quarter.

Due to the approx. \$1m in funding secured by Australian Advanced Materials (AAM) in a collaborative grant announced under the ARC Linkage project<sup>2</sup>, AAM incurred only \$25k in direct costs in the September quarter which was directed toward funding the UNSW research team developing the memory and battery technology.

Maria Resources incurred \$105k in costs associated with the evaluation of exploration projects. Strategic Materials expensed 30k during the quarter. The Company has reported payments of \$241k to related parties and their associates at item 6.1 of the accompanying Appendix 4C. These payments comprise of director's fees for Directors and salaries for Executive Directors.

**Below is a list of material releases made by the Company during the September 2021 quarter:**

### Strategic Elements

- 22 Sept: The Company released the AGM presentation and conducted the 2021 Annual General Meeting.  
23 Aug: The Company released the FY 2021 Annual Report.

### Australian Advanced Materials (AAM)

- 20 Sept: The Company announced that it had achieved a key milestone with its moisture-based battery technology producing more than a milliamp of electrical current from humidity in the air. Prototype Battery Ink cells produced 100mAh of electric charge over 3 days. The milestone of milliamp-range current output is a significant achievement as it increases the potential array of applications that could be powered by the technology.

### Stealth Technologies (Stealth)

- 27 July: The Company announced Stealth Technologies had achieved several key development milestones with its sophisticated weed detection technology. The spread of weeds is still a significant issue for crop yields globally, where production losses are estimated in the tens of billions<sup>3</sup> and weeds are becoming increasingly herbicide resistant.
- 6 July: The Company announced that subsidiary 'Stealth Technologies' will design **and deliver** an autonomous drone carrying vehicle that automates detection and sensing of chemical, biological, radiological and nuclear agents. The Company will collaborate with Defence Science Technology Group (DSTG), part of the **Australian Department of Defence**, and the University of Western Australia to build the solution and conduct a live demonstration to Army. The Western Australian Defence Science Centre has agreed to part fund the collaborative work.

### Strategic Materials (SML) & Maria Resources (MRL)

No field exploration was conducted during the quarter.

### More Information:

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The Australian Federal Government has registered Strategic Elements as a **Pooled Development Fund** with a mandate to back Australian 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 [www.strategielements.com.au](http://www.strategielements.com.au). This announcement was authorised for release by Strategic Elements' Board of Directors.

<sup>1</sup> Electronic Skin Patches 2020-2030, IDTechEx, 2020

<sup>2</sup> ASX Announcement 30/6/2020

<sup>3</sup> Annual Costs of Weeds in Australia, Centre for Invasive Species Solutions, 2018

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Strategic Elements Limited

**ABN**

47 122 437 503

**Quarter ended ("current quarter")**

30 September 2021

| <b>Consolidated statement of cash flows</b>      |  | <b>Current quarter<br/>\$A'000</b> | <b>Year to date (3<br/>months)<br/>\$A'000</b> |
|--|--|------------------------------------|--|
| <b>1. Cash flows from operating activities</b>   |  |                                    |  |
| 1.1 Receipts from customers                      |  | 69                                 | 69   |
| 1.2 Payments for                                 |  |                                    |  |
| (a) research and development                     |  | (223)                              | (223)  |
| (b) product manufacturing and operating costs    |  | -                                  | -  |
| (c) advertising and marketing                    |  | (52)                               | (52)   |
| (d) leased assets                                |  |                                    |  |
| (e) staff costs                                  |  | (487)                              | (487)  |
| (f) administration and corporate costs           |  | (313)                              | (313)  |
| 1.3 Dividends received (see note 3)              |  |                                    |  |
| 1.4 Interest received                            |  |                                    |  |
| 1.5 Interest and other costs of finance paid     |  | (1)                                | (1)  |
| 1.6 Income taxes paid                            |  |                                    |  |
| 1.7 Government grants and tax incentives         |  |                                    |  |
| 1.8 Other (refunds)                              |  |                                    |  |
| <b>1.9 Net cash used in operating activities</b> |  | <b>(1,007)</b>                     | <b>(1,007)</b>                                 |
| <b>2. Cash flows from investing activities</b>   |  |                                    |  |
| 2.1 Payments to acquire or for:                  |  |                                    |  |
| (a) entities                                     |  |                                    |  |
| (b) businesses                                   |  |                                    |  |
| (c) property, plant and equipment                |  |                                    |  |
| (d) investments                                  |  |                                    |  |
| (e) intellectual property                        |  |                                    |  |
| (f) other non-current assets                     |  |                                    |  |

| Consolidated statement of cash flows |  | Current quarter<br>\$A'000 | Year to date (3<br>months)<br>\$A'000 |
|--------------------------------------|--|----------------------------|---------------------------------------|
| 2.2                                  | Proceeds from disposal of:                   |                            |                                       |
|                                      | (a) entities                                 | -                          |                                       |
|                                      | (b) businesses                               | -                          | -                                     |
|                                      | (c) property, plant and equipment            | -                          | -                                     |
|                                      | (d) investments                              | -                          | -                                     |
|                                      | (e) intellectual property                    | -                          | -                                     |
|                                      | (f) other non-current assets                 | -                          | -                                     |
| 2.3                                  | Cash flows from loans to other entities      | -                          | -                                     |
| 2.4                                  | Dividends received (see note 3)              | -                          | -                                     |
| 2.5                                  | Other (provide details if material)          | -                          | -                                     |
| <b>2.6</b>                           | <b>Net cash used in investing activities</b> | <b>-</b>                   | <b>-</b>                              |

|             |   |          |          |
|-------------|---|----------|----------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>   |          |          |
| 3.1         | Proceeds from issues of equity securities<br>(excluding convertible debt securities)          |          |          |
| 3.2         | Proceeds from issue of convertible debt<br>securities   |          |          |
| 3.3         | Proceeds from exercise of options   |          |          |
| 3.4         | Transaction costs related to issues of<br>equity securities or convertible debt<br>securities |          |          |
| 3.5         | Proceeds from borrowings  | -        | -        |
| 3.6         | Repayment of borrowings   | -        | -        |
| 3.7         | Transaction costs related to loans and<br>borrowings  | -        | -        |
| 3.8         | Dividends paid  | -        | -        |
| 3.9         | Other (provide details if material)   | -        | -        |
| <b>3.10</b> | <b>Net cash from financing activities</b>   | <b>-</b> | <b>-</b> |

|           |  |         |         |
|-----------|--|---------|---------|
| <b>4.</b> | <b>Net increase/(decrease) in cash and<br/>cash equivalents for the period</b> |         |         |
| 4.1       | Cash and cash equivalents at beginning of<br>period                            | 7,925   | 7,925   |
| 4.2       | Net cash used in operating activities<br>(item 1.9 above)                      | (1,007) | (1,007) |
| 4.3       | Net cash used in investing activities<br>(item 2.6 above)                      | -       | -       |
| 4.4       | Net cash from financing activities (item 3.10<br>above)                        | -       | -       |

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date (3<br>months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 4.5                                  | Effect of movement in exchange rates on cash held | (1)                        | (1)                                   |
| 4.6                                  | Cash and cash equivalents at end of period        | 6,917                      | 6,917                                 |

| 5.  | Reconciliation of cash and cash equivalents<br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|-----|--|----------------------------|-----------------------------|
| 5.1 | Bank balances  | 6,807                      | 7,836                       |
| 5.2 | Term deposits  | 115                        | 115                         |
| 5.3 | Bank overdrafts  |                            | -                           |
| 5.4 | Other (credit card)  | (5)                        | (26)                        |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above)  | 6,917                      | 7,925                       |

| 6.  | Payments to related parties of the entity and their associates                          | Current quarter<br>\$A'000 |
|---|---|----------------------------|
| 6.1   | Aggregate amount of payments to related parties and their associates included in item 1 | 241                        |
| 6.2   | Aggregate amount of payments to related parties and their associates included in item 2 | -                          |
| <i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i> |   |                            |

|   |   |  |
|---|---|--|
| <b>7. Financing facilities</b><br><i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i><br><i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>   | <b>Total facility<br/>amount at quarter<br/>end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$A'000</b> |
| 7.1 Loan facilities   | -   | -  |
| 7.2 Credit standby arrangements   | -   | -  |
| 7.3 Other (please specify)  | -   | -  |
| 7.4 <b>Total financing facilities</b>   | -   | -  |
| 7.5 <b>Unused financing facilities available at quarter end</b>   |   | -  |
| 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. |   |  |
|   |   |  |

|  |                |
|--|----------------|
| <b>8. Estimated cash available for future operating activities</b>   | <b>\$A'000</b> |
| 8.1 Net cash used in operating activities (item 1.9)   | (1,007)        |
| 8.2 Cash and cash equivalents at quarter end (item 4.6)  | 6,917          |
| 8.3 Unused finance facilities available at quarter end (item 7.5)  | -              |
| 8.4 Total available funding (item 8.2 + item 8.3)  | 6,917          |
| 8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>  | 6.87           |
| <i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>     |                |
| 8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:  |                |
| 8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?  |                |
| Answer: n/a  |                |
| 8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? |                |
| Answer: n/a  |                |
| 8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?  |                |
| Answer: n/a  |                |
| <i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>   |                |

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29-Oct-2021

Authorised by: Matthew Howard

(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.