



SOR Strategic Elements March Quarter Update

Perth, Australia – 29 April 2022 Strategic Elements Ltd (ASX: SOR) provides the following Company update to accompany the attached Appendix 4C lodged for the quarter ending 31 March 2022.

The Australian Federal Government has registered Strategic Elements as a Pooled Development Fund with a mandate to back Australian innovation. The Company backs leading Australian scientists and innovators in high risk-high reward ventures. SOR majority funds the initial development of each venture whilst seeking a major strategic investor/partner to be able to strongly assist commercialisation. The Company is backing projects across robotics, artificial intelligence, printable battery and memory technologies and the exploration of strategic technology metals with new geological models in unexplored terrains.

Stealth Technologies Pty Ltd (Stealth) (100%) is conducting multiple activities in the Autonomous Security Vehicle (ASV), Autonomous CBRN Agent Detection and Autonomous Mining sectors.

Stealth has continued its discussions with global Fortune 100 software-industrial company Honeywell on an agreement to conduct multi-site pilot deployments of Autonomous Security Vehicles¹. The ASV seamlessly integrates into Honeywell's security management platform and can autonomously navigate pre-defined missions to test key Perimeter Intrusion Detection Systems (PIDS) including photo-electric beams, microphonic and fibre-optic fence sensors, buried electromagnetic cables and microwave beams. Patrol surveillance is provided by a military-grade camera that provides 360-degree high-definition video and other sensors. Discussions on a commercial agreement between Stealth Technologies and Honeywell are continuing. The Company is cognisant this process has been lengthy and will update the market with a strategy for the ASV as soon as appropriate.

During the quarter Stealth commenced Phase 1 of a pilot investigation with a mining Company². Stealth supplied and installed a Stealth Sensor Pack containing sensor fusion and computer vision technology from Stealth's Autonomous AxV platform. The Stealth Sensor Pack captured mapping data of a portion of a mine's underground environment to assist in validating the potential suitability of the technology solution for a number of potential product applications. Data was collected over numerous shifts and developed into a point cloud for visualisation of the underground environment. Comparison and analysis of data will be conducted early Q2, 2022. Phase 2 will be dependent on the successful delivery of Phase 1 and further discussion and commercial agreement. The Company is very pleased with the expansion of technology originally developed for its Autonomous AxV platform into an operating underground environment.

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 (CBRN) agents³. During the quarter, initial live testing of the mission control algorithms for multi-drone CBRN search was completed. The objective is to successfully demonstrate the integration of Defence Science Technology Group algorithms with Stealth's technology. Further testing is ongoing.

Multiple streams of work were conducted on the further development of the AxV Gen 2 software and hardware stack including sensor drivers, navigation modules and the mission control system. During the quarter an investigation into the manufacturability of parts and components in Australia instead of overseas-based manufacturing was prioritised. This led to certain design modifications with Stealth expected to release the modified Gen 2 design concept in Q2, 2022.

Stealth is also developing technology to automate capture and integration of multiple types of data and produce 3D location maps of agricultural weeds⁴. 3D Mapping of agricultural weeds will enable farmers to apply modern agronomy to weed management. Stealth is collaborating with the Australian Herbicide Resistance Initiative, who are world-leading global researchers in herbicide resistance and its management in cropping systems. The technology was deployed and trialled at multiple farm locations during the quarter. Positive feedback was received from farms involved in the trial. Stealth technology was successfully deployed onto John Deere, CASE, New Holland and MacDon combine harvesting equipment. Stealth is continuing to analyse the data from the trial and is expanding the software stack and integrating additional hardware that will substantially improve data collection. An expanded live trial and validation of the technology will be conducted in August 2022 and a successful outcome will lead to the commencement of partnering discussions to assist in commercialisation.

Australian Advanced Materials (AAM) (100%) is developing Battery Ink technology under a formal collaboration with the University of New South Wales (UNSW). UNSW School of Materials Science and Engineering is a leader in Australia for material science and has partnerships with leading companies such as Boral, Hitachi Chemical, One Steel and many more. The battery technology collaboration is recognised by the Federal Government and has been awarded funding from the Australian Research Council⁵.

The Company believes that the battery technology is world-leading, the sector is in huge demand, and it has a technical collaboration with a UNSW team that is unparalleled in its experience in electronic inks, energy harvesting and storage. Collaborators at UNSW have world-class infrastructure and equipment geared towards electronic ink engineering and fabrication. The Company values its long-term relationship with the UNSW team led by Professor Dewei Chu.

The team has been very milestone focused. Development has progressed from low voltages to 0.8V per cell, small scale ink to 1L batches and from microamp to milliamp range of electric current output. Fabrication has moved from lab methods to small area screen printing of the Battery Ink¹. In light of the ongoing technical success, AAM committed to providing the technical team with the freedom in Q1, 2022 to pursue deep research and development and trial-and-error materials engineering with the aspiration of achieving a further step-change in moisture-induced electrical energy.

Although there have been fewer interim milestones to report, the Company is confident that backing its team now and providing the freedom to innovate will provide a far greater outcome for all shareholders. The response from the team to the ambitious challenge of delivering a step-change in converting moisture to energy has been exceptional.

Maria Resources Pty Ltd (Maria) (100%) has a firm focus on technology metals (e.g Ni, Cu, Co, PGE (platinum group elements) related to batteries and advanced technology and applying innovative geological models to unexplored terrains. Maria Resources permit applications in the Madura Province have been grouped into the Cyclops Project⁶. There has been increased activity in the Madura Province with exploration tenement applications by companies including Rio Tinto and BHP Nickel West. Three of the Maria Resources permit applications are adjacent to Rio Tinto permit applications.

One of Maria Resources granted permits E 6903830 borders a permit held by ASX listed exploration Company Native Mineral Resources (ASX:NMR) where NMR are targeting intrusion-related Ni-Co-Cu-PGE mineralisation at the Helios Project. The very first deep drill hole in the area was recently completed by NMR to 500m depth with over 350m of diamond drilling into basement rocks. NMR are currently awaiting assays. NMR have “already completed drilling at Helios and have submitted samples for assay and geochemistry are planning an electromagnetic (EM) survey which will aim to delineate the “conductive” metal sulfides that we are anticipating near the current drill hole”⁷.

Maria Resources is finalising negotiations with traditional owners on the 222km² Cyclops Project area. Concurrently, it has also commenced a review of all geological interpretation, historical drilling and exploration in the area as well as in the wider Madura Province that surrounds the Cyclops Project.

Strategic Elements Ltd has been conducting due diligence on various potential opportunities to transform how data is used. The Company expects to conclude its due diligence in Q2, 2022 and resolve whether to make an investment in the sector with Cognition Engines Pty Ltd. Additional information will be made available at the appropriate time.

Strategic Elements Ltd ended the March quarter with \$5.18M in cash. Across the group, net expenditure was \$873k. The Company has applied to receive approximately \$400k in cash rebates under the R&D Tax Incentive scheme lodged for Stealth Technologies and Australian Advanced Materials which if successful would be received in next quarter (Q2, 2022). Strategic Elements Ltd incurred expenditure of \$430k, this included internal costs incurred in operating the ASX listed entity, the Pooled Development Fund and providing management assistance to investee companies, principally Australian Advanced Materials (memory and battery technology) and Stealth Technologies (robotics and artificial intelligence). The Company has reported payments of \$141k 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.

AAM incurred net expenditure of \$74k which relates to R&D development undertaken at UNSW, consultants and other costs incurred in developing and managing AAM's IP portfolio. An additional amount of approximately \$70k was applied to the AAM's R&D development costs as a result of the ongoing collaborative grant announced under the ARC Linkage project⁵.

Stealth Technologies (Stealth) incurred \$363k in direct costs related to staff, consultants and R&D development costs across projects with Honeywell, Mining Industry, Defence Science and technology Group and the Australian Herbicide Resistance Initiative/University of Western Australia. Maria Resources incurred \$3k in costs associated with the evaluation of exploration projects. Strategic Materials did not incur any expenditure during the quarter.

More Information:

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Footnotes

¹ [ASX Announcement 31/01/2022](#)

² [ASX Announcement 23/12/2021 & ASX Announcement 05/01/2022](#)

³ [ASX Announcement 06/07/2021](#)

⁴ [ASX Announcement 27/07/2021](#)

⁵ [ASX Announcement 30/06/2020](#)

⁶ [ASX Announcement 29/10/2021](#)

⁷ [NMR ASX Announcement 06/04/2022](#)

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")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	205
1.2 Payments for		
(a) research and development	(294)	(1,067)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(22)	(100)
(d) leased assets	-	-
(e) staff costs	(383)	(1,238)
(f) administration and corporate costs	(174)	(529)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash used in operating activities	(873)	(2,730)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(13)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$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)	-	-
2.6	Net cash used in investing activities	(3)	(13)

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

4.	Net increase/(decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,058	7,925
4.2	Net cash used in operating activities (item 1.9 above)	(873)	(2,730)
4.3	Net cash used in investing activities (item 2.6 above)	(3)	(13)
4.4	Net cash from financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,182	5,182

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,068	5,945
5.2	Term deposits	115	115
5.3	Bank overdrafts	-	-
5.4	Other (credit card)	(1)	(2)
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,182	6,058

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	141
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>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash used in operating activities (item 1.9)	(873)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,182
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,182
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.94
<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 April 2022

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.