



SOR Strategic Elements June Quarter Update

Perth, Australia – 29 July 2022 Strategic Elements Ltd (ASX: SOR) provides the following Company update to accompany the attached Appendix 4C lodged for the quarter ending 30 June 2022.

The technology sector has been under significant pressure since Q4 2021. Previous experience with this type of market uncertainty led the Board to focus on maximising cash management early. Throughout the period, the Company implemented programs to effectively manage this uncertainty in the unfortunate event that it extends throughout 2023.

The focus on cash management during the quarter resulted in the **receipt of \$471,000 in cash** from the Australian Federal Government R&D Tax Incentive scheme for R&D conducted in 100% owned Stealth Technologies (STN) and Australian Advanced Materials (AAM) during FY21. In addition, the Company is preparing the FY22 applications to claim **a similar amount** for R&D conducted in FY22 under the R&D Tax Incentive in the next quarter. The result of this second application will be known in Q3, 2022. The successful receipt of R&D rebates significantly strengthens the Company's financial position without requiring shareholder dilution through capital raising.

The Company has always placed a high value on cash and in-kind funding under various Australian Federal grant bodies that provide **non-dilutive** cash funding and access to otherwise unobtainable researcher expertise, equipment and infrastructure worth millions of dollars. An underappreciated benefit includes the 3rd party technical due diligence process conducted by leading scientific peers before grants are awarded.

AAM previously applied to the Australian Research Council (ARC) for funding under a **\$1,600,000 Project** to progress the Energy Ink™ for use in wearable technologies. In Q2, AAM was informed that a new research and development agreement with The University of New South Wales was required for ARC grant funding to commence under the proposed Project. If an agreement is reached, the Company intends to start the ARC Project in Q3, 2022. The Project proposal contains **\$486,640** in cash to be provided by ARC and **\$554,178** in services and equipment (in-kind) to be provided by The University of New South Wales over three years. AAM would provide \$350,000 in-kind and \$220,000 in cash and maintain its current ownership of Energy Ink™ IP. If funding is granted, the Company's financial position will be significantly strengthened without requiring shareholder dilution through capital raising.

Before this quarter, the development focus had been on 36cm² cells targeted for electronic skin patches. Throughout the quarter, AAM worked to increase the Energy Ink™ cell size area to test the impact on power output from larger printed cells. During this process, significant potential Intellectual Property was developed, and the team subsequently focused on acquiring data and conducting experiments to complete multiple new patent applications. UNSW has equipment that can screen print features as small as 100 micrometres and as large as 3m² (30,000 cm²). Results of the investigation into larger Energy Ink™ cell sizes will be available in Q3, 2022¹.

During the quarter, the AAM materials science team worked to develop, implement and validate multiple technology breakthroughs into a **world-first** Energy Ink Pack. The objective is to print an Energy Ink Pack using green, sustainable, safe materials able to harvest an ampere-hour range of electrical charge solely from moisture in the air. Development is firmly on track, and the Company expects results to be available in Q3, 2022.

Despite the current difficulty in general capital markets, the Company believes the imperative for more innovative, renewable energy creation and power sources will continue to grow. Unlike lithium-based batteries, Energy Ink™ uses green, sustainable materials that are safe and non-flammable and, when printed onto flexible plastic, are under development to be flexed and bent around the human body or structures. Traditional battery technologies reduce the freedom of design for new electronic devices. Screen printed graphene-oxide-based cells that harvest energy from airborne water molecules could potentially directly power a device, compliment a battery by extending device life or providing energy for battery storage.

Stealth Technologies Pty Ltd (Stealth) (100%) is conducting multiple activities in the Autonomous Security, Autonomous Defence and Autonomous Mining sectors.

During the quarter, Stealth continued discussions with global Fortune 100 software-industrial company Honeywell on an agreement to conduct multi-site pilot deployments of Autonomous Security Vehicles². In May 2022, Stealth conducted a live demonstration of the ASV at the Eastern Regional Goldfield Prison for the Vice President & General Manager of Global Services (Honeywell Building Technologies). Stealth was extremely pleased with the outcome of the demonstration. The Stealth team has since significantly upgraded, designed and built an ASV for inclusion in the APAC Honeywell User Group 2022. This event will bring a diverse array of Honeywell customers together to share information, ideas, and experiences with industry peers and will be held in Sydney in August 2022.

During the quarter, Stealth completed a comparison and detailed analysis of mapping data captured over several weeks by the Stealth Sensor Pack from an underground mine in Western Australia as part of Phase 1 of a pilot investigation² with a mining Company. The Stealth Sensor Pack captured mapping data of a portion of a mine's underground environment to validate the technology solution's potential suitability for several potential product applications. Stealth supplied and installed a Stealth Sensor Pack containing sensor fusion and computer vision technology from Stealth's Autonomous AxV platform. The next stage will see the parties decide whether to proceed to Phase 2 of the pilot investigation.

Stealth is also developing technology to automate the capture and integration of multiple data types and produce 3D location maps of agricultural weeds³. 3D Mapping of agricultural weeds will enable farmers to apply modern agronomy to weed management. Stealth is collaborating with the Australian Herbicide Resistance Initiative, which are world-leading global research group in herbicide resistance and its management in cropping systems. Stealth technology was successfully deployed as pilot technology onto John Deere, CASE, New Holland, and MacDon combine harvesting equipment. During this quarter, Stealth has been enhancing its sensor pack in preparation for an expanded live trial and validation of the technology that will commence in Q4 2022.

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 the detection and sensing of chemical, biological, radiological and nuclear (CBRN) agents⁴. During the quarter, the Stealth team progressed proxy sensor and drone integration in preparation for a live trial of the Stealth AxV stack flying drones with the DSTG CBRN detection algorithms. The live trial is anticipated to commence in Q3 2022.

Cognition Engines (CE) (100%) has engaged leading data systems sector expert Michael Counsel to provide Chief Technology Officer services to Cognition Engines Pty Ltd and development/commercialisation services to other Strategic Elements Ltd group companies⁵.

Michael spent 20 years with Oracle Corporation (USD 190 Billion market cap), where he held senior positions, including Group Vice President and Chief Technology Officer Asia Pacific and Director Enterprise Architecture. Michael and his team repeatedly drove multi-million dollar deals. They incubated the development and deployment of new and horizon technologies and industry solutions with deal sizes over USD 10M for software licenses with ongoing annual support and services of millions per account. Along with his commercial roles, Michael focused on technology and developing high-performance computing, large-scale data management and analysis algorithms. Michael was also formerly CTO and VP of Consulting, Products and Services Asia Pacific-Japan and Europe -Middle East-Africa for Symantec Corporation. He ran the consulting and cyber security services businesses.

Maria Resources Pty Ltd (Maria) (100%) has a firm focus on technology metals (e.g. Ni, Cu, Au, PGE (platinum group elements) related to batteries and advanced technology and applying innovative geological models to unexplored terrains. The highly underexplored Madura Province on the Nullarbor is experiencing increased activity with exploration tenement applications by companies including Rio Tinto, BHP Nickel West, Chalice Gold Mines (under JV with Sensore) and more recently by Northern Mineral Resources (NMR). Maria Resources owns the Leviathan Project (technology metals) and recently expanded Cyclops Project (technology metals).

The Leviathan and Cyclops Projects are adjacent to ASX-listed explorer Northern Mineral Resources (ASX: NMR), which recently completed the first deep hole in the area. On 8 July 2022, NMR announced⁶:

“a 500m-long mixed RC and diamond drill hole into the centre of the Helios magnetic target. Based on preliminary observations, NMR has intercepted significant hematite, sericite, magnetite, and pyrite alteration. This style of alteration is indicative of and often found in association with other Iron Oxide Copper Gold (IOCG) deposits in Australia. This is the first drill hole known to NMR to have encountered significant IOCG-style alteration in the under-explored Madura Province and one of the first possible IOCG-style occurrences in Western Australia. The basement is only 110m below the surface, making this an exciting new area requiring further investigation.”“Also completed a high-resolution ground gravity survey over the Helios target in preparation for a follow-up diamond drill hole (HELIOS_DD002)”.

During the quarter, Maria Resources negotiated with traditional owners and reviewed further geological interpretation, geophysics, historical drilling and exploration in the wider Madura Province. This led to tenements E69/4051 and E69/4059 being applied for and the commencement of the new Red Rock Project (technology metals). Maria Resources has an early mover advantage in securing tenements in an emerging frontier exploration for technology metals.

Strategic Elements Ltd ended the June quarter with \$4.82M in cash. Across the group, net expenditure was \$358k. During the quarter, the Company received \$471k in cash rebates under the R&D Tax Incentive scheme for R&D conducted in Stealth Technologies and Australian Advanced Materials during FY2021. Strategic Elements Ltd incurred an expenditure of \$386k; 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 \$176k to related parties and their associates at item 6.1 of the accompanying Appendix 4C. These payments comprise director’s fees for Directors and salaries for Executive Directors.

AAM incurred a net expenditure of \$200k related to R&D development undertaken at UNSW, consultants and other costs incurred in developing and managing AAM’s IP portfolio. An additional \$68k was applied to AAM’s R&D development costs due to the ongoing collaborative grant announced under the ARC Linkage project⁷. Stealth Technologies (Stealth) incurred \$163k in direct expenses 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. Cognition Engines incurred a net expenditure of \$24k related to early technology costs. Maria Resources incurred \$55k in costs associated with the evaluation of exploration projects. Strategic Materials did not incur any expenditure during the quarter.

The Australian Federal Government has registered Strategic Elements as a Pooled Development Fund with a mandate to back Australian innovation. The Company supports 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 able to assist commercialisation. The Company is backing projects across robotics, artificial intelligence, printable technologies (battery, storage) and strategic technology metals.

More Information:

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Footnotes

¹ ASX Announcement 11/05/2022 | ² ASX Announcement 31/01/2022

³ ASX Announcement 27/07/2021 | ⁴ ASX Announcement 06/07/2021

⁵ ASX Announcement 16/07/2022 | ⁶ NMR ASX Announcement 08/07/2022

⁷ ASX Announcement 30/06/2020

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 June 2022

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--|------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | - | 205 |
| 1.2 Payments for | | |
| (a) research and development | (313) | (1,380) |
| (b) product manufacturing and operating costs | - | - |
| (c) advertising and marketing | (20) | (120) |
| (d) leased assets | - | - |
| (e) staff costs | (353) | (1,591) |
| (f) administration and corporate costs | (143) | (673) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 1 | 2 |
| 1.5 Interest and other costs of finance paid | - | (2) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | 471 | 471 |
| 1.8 Other | - | - |
| 1.9 Net cash used in operating activities | (358) | (3,088) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | (13) |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 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 | - | (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 | 5,182 | 7,925 |
| 4.2 | Net cash used in operating activities (item 1.9 above) | (358) | (3,088) |
| 4.3 | Net cash used in investing activities (item 2.6 above) | - | (13) |
| 4.4 | Net cash from financing activities (item 3.10 above) | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--------------------------------------|---|----------------------------|-------------------------------------|
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 4,824 | 4,824 |

| 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 | 4,715 | 5,068 |
| 5.2 | Term deposits | 116 | 115 |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (credit card) | (7) | (1) |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 4,824 | 5,182 |

| 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 | 176 |
| 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) | (358) |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 4,824 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 Total available funding (item 8.2 + item 8.3) | 4,824 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | 13.47 |
| <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 July 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.