

Perth, Australia
April 30, 2024



SOR Strategic Elements March Quarter Update

Strategic Elements Ltd (ASX: SOR) provides the following update to accompany the Appendix 4C lodged for the quarter ending 31 March 2024. Strategic Elements (SOR) operates as a 'Venture Builder' by sourcing and combining teams of leading scientists or innovators developing high-risk, early-stage ventures. SOR majority funds the initial stages of development whilst a major strategic investor/partner is sought to assist commercialisation where appropriate. The SOR Executive team is deeply engaged and is a core element of the collaborative effort.

The quarter's primary focal points were a) advancement of Small Device and High-Power Energy Ink™ cells within Australian Advanced Materials, b) deployment of a mining industry demonstrator via Stealth Technologies, and c) progression of cognitive and artificial intelligence technologies through Cognition Engines.

True to its established successful policy, the company persistently strives to optimise shareholder value by entering competitive programmes to secure non-dilutive cash funding from the Australian Federal Government and other institutions. Given the current volatile market conditions affecting speculative ASX-listed companies such as Strategic Elements, the company is exercising strict cash management. Consequently, the company concluded the quarter with \$6.35M in cash and no outstanding debt.

The Australian Federal Government has registered Strategic Elements as a Pooled Development Fund (PDF) with a mandate to back high-risk, early-stage Australian innovation. New PDF registrations are no longer available; however, existing Funds registered under the PDF programme continue to operate. The PDF program provides a highly beneficial tax structure while placing strict regulatory oversight on the Company and its Directors to ensure compliance with the regulations of the Australian Federal Government's Pooled Development Fund Act 1992.

Australian Advanced Materials (100%)

During the quarter, Australian Advanced Materials (100% owned) commenced expansion of its team that will include interdisciplinary researchers in functional materials, computational materials science and solution-processed nanodevices under funding from a prestigious Australian Research Council (ARC) Industry Fellowship. A slower-than-expected start to the ARC Project was experienced due to delays in the UNSW contracting process; however, significant momentum has since been gained. The ARC is providing approx. \$1,020,000 in cash funding (non-dilutive to SOR shareholders) whilst AAM is contributing approx. \$800,000 in cash funding over the four years.

The SOR Executive team, engineers from Stealth Technologies and material scientists from UNSW are working to progress both High Power and Small Device Energy Ink™ cells that generate energy from moisture in the air.

Previous High-Power Energy Ink™ cell results have been achieved in laboratory conditions from a single 1cm² cell. AAM has set an ambitious goal for the coming year to generate energy from moisture in an apartment building car park overnight and provide a small charge to an electric vehicle. However, achieving the required power and duration and upscaling fabrication methods to manufacture thousands of cells and electrodes for the prototype device present formidable challenges to the Energy Ink™ team.

Central to AAM's current development pathway is the scaling up of cell dimensions without compromising power output, a crucial factor in minimising the prototype's cell count and assisting the fabrication process. Subject to successful cell scaling, the Energy Ink™ team will focus on developing automated methods to enable the fabrication of large volumes of Energy Ink™ cells.

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Development of the Small Device Energy Ink™ cell is targeted towards the capability to collaborate with potential application partners. Important work being conducted includes optimising the viscosity of the Energy Ink™ layers, escalating post-deposition drying times, and sequencing layer deposition.

The team is actively moving towards in-house automation development to scale production from small-scale laboratory fabrication to a more automated process. This transformation represents a critical step forward in optimising the efficiency of cell fabrication, enhancing device quality and consistency, and future research and development of the technology, which can be transferred to the High-Power Energy Ink™ cell development.

Engineers from Stealth Technologies are trialling automated [and] robotic solutions to automate material handling, dispensing, and processing tasks. This could potentially bypass processes identified as bottlenecks by fabricating multiple cells simultaneously and ensuring precise material deposition. In addition to potentially boosting production rates, this may significantly enhance quality and consistency. The team has deconstructed the current fabrication process and engineered multiple potential automated solutions, which will be trialled in Q2 2024.

The Perth development team is investigating alternative airflow management systems for the Energy Ink™ cell package to ensure sufficient humidity exposure for energy generation. Three baseline airflow management packaging designs have been developed via 3D printing, and testing is ongoing. These airflow management systems are similar in concept to Zinc Air battery cells, where packaging of the battery's cathode (+) cap allow sufficient exposure to air for the discharge process.

The overriding objective for the Small Device program is to optimise Energy Ink™ materials to a stage where they can be transferred to potential development and application partners, who will ultimately progress the high-level automation. Partnering is intended around cell packaging. Packaging is an important development pathway as it allows the Energy Ink™ cell's energy-generating ability to be controlled and deployed when required. As development intensifies, shelf life and material cost will present additional hurdles for the Energy Ink™ team.

Cognition Engines (100%)

Cognition is an early-stage Artificial Intelligence Company developing technologies to transform conventional datasets utilising advanced AI techniques and proprietary designs. The Company's approach is to deliver new AI capabilities by integrating hardware and software systems with proprietary data technologies.

Cognition believes many Australian AI development initiatives are inhibited by the lack of available, relevant, quality data. Cognition has access to partners with a strong pedigree in using vision-related techniques, such as Computer Vision, to create viable datasets from cameras for use in AI systems. During the quarter, Cognition Engines worked to mesh data captured by third-party cameras and sensors as input for its advanced analytic algorithm designs.

Stealth Technologies (100%)

During the quarter, Stealth Technologies (100% owned) continued progressing its mining technology demonstrator and showcased the technology to multiple potential validation partners. The technology is being developed to improve operational efficiency in underground mines to increase profitability for mine operators.

Stealth Technologies and an Australian mining company are investigating a potential pilot program to deploy the technology underground. The goal is to validate its application in a real-world setting, collect additional valuable data and demonstrate significant commercial benefits to potential customers.

Stealth also has an agreement with global software-industrial company Honeywell to progress the commercialisation of Autonomous Security Vehicles (ASVs) for perimeter security. Under the agreement, Honeywell is responsible for identifying, engaging, and maintaining customer relationships, procuring access to customer facilities, processing fees, and entering and maintaining agreements with customers to facilitate ASV Pilot Deployments.

During the quarter, Stealth also provided significant engineering support to the Energy Ink™ collaboration with AAM and UNSW under the Australian Research Council (ARC) Industry Fellowship.

Maria Resources & Strategic Materials (100%)

The Company managed its cash position very carefully during the quarter. It did not conduct any fieldwork for critical minerals (e.g., Rare Earth, Nickel, Copper, Gold, PGE) used in advanced technologies. Desktop and historical results analysis and perspective modelling are ongoing.

Strategic Elements Ltd

The Company ended the quarter with a strong cash position of \$6.3M and no debt. \$431k was received in rebates under the R&D Tax Incentive program for the FY23 and a further R&D rebate is expected to be received in the June 2024 quarter. Across the group, net expenditure was \$262k; this included all corporate costs, research and development expenditures, internal costs incurred in operating the ASX-listed entity and direct costs in providing management assistance to investee companies, principally Australian Advanced Materials (Energy Ink™ technology) Stealth Technologies (robotics and artificial intelligence) and Maria Resources (technology metals frontier exploration).

Direct costs of \$321k were attributable to Strategic Elements. This included all corporate costs, internal costs incurred in operating the ASX-listed entity, and direct costs in providing management assistance to investee companies. Payments of \$199k to related parties and their associates are reported at item 6.1 of the accompanying Appendix 4C. These payments comprise Board fees for Directors and salaries for Executive Directors.

AAM incurred expenditure of \$102k related to R&D development undertaken at UNSW, consultants and other costs incurred in research and managing AAM's IP portfolio. AAM received an R&D rebate of \$260k for the FY23 period. Stealth incurred \$170k in staff, consultants, and R&D development expenses across projects. Stealth is finalising the FY23 research and development rebate. Cognition Engines incurred \$14k for R&D development and consulting costs. Cognition Engines received an R&D rebate of \$132k for the FY23 period. Maria incurred \$85k in costs associated with its technology metals projects. Maria received an R&D rebate of \$39k for the FY23 period. Strategic Materials incurred \$1k in permit and consulting fees for holding the Golden Blocks permit in New Zealand.

More Information:

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

¹ASX Announcement 14/11/2023

²ASX Announcement 21/12/2023

Risks and Forward-Looking Statement- The Company's future success depends on its venture companies' successful development. The Company has had initial success with the development of Energy Ink™ technology. However, given it is still an early-stage technology, it is susceptible to risks associated with early-stage R&D, such as the uncertainty of material science development, intellectual property risks, materials engineering challenges, competition, fabrication challenges, access to required laboratory equipment and problems scaling up lab-based methods. There can be no guarantee that the assumptions and contingencies on which any forward-looking statements, opinions and development timeline estimates contained in materials published by the Company are based will ultimately prove to be valid or accurate. The forward-looking statements, opinions and estimates depend on various factors, including known and unknown risks, many of which are outside the control of the Company. Actual performance of The Company may materially differ from forecast performance.

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 2024

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	-	40
1.2 Payments for		
(a) research and development	(263)	(807)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(7)	(48)
(d) leased assets	-	-
(e) staff costs	(364)	(1,049)
(f) administration and corporate costs	(119)	(396)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	64	211
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	431	431
1.8 Other	-	-
1.9 Net cash used in operating activities	(262)	(1,622)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(5)	(12)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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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	(5)	(12)
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	6,618	7,989
4.2	Net cash used in operating activities (item 1.9 above)	(262)	(1,622)
4.3	Net cash used in investing activities (item 2.6 above)	(5)	(12)
4.4	Net cash from financing activities (item 3.10 above)	-	-

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

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	(1)	(5)
4.6	Cash and cash equivalents at end of period	6,350	6,350

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	1,260	1,521
5.2	Term deposits	116	116
5.3	60 Day Notice	5,000	5,000
5.4	Other (credit card)	(26)	(19)
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,350	6,618

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	199
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
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)	(262)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,350
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	6,350
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	24
<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: 30 April 2024

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.