

Strategic Elements Ltd December Quarter Update

Perth, Australia - 27 January 2021. [Strategic Elements Ltd](#) (ASX: SOR), a Pooled Development Fund with a mandate to back Australian innovation, provides the following update in accordance with LR4.7C, to accompany the attached Appendix 4C lodged for the quarter ending 30 December 2020.

The Company ended the December quarter with \$6M in cash after completing a \$5.1M capital raising. Across the group, expenditure was \$753k which included project development, research and development, product manufacturing costs and administration costs. Strategic Elements had net expenditure of \$441k, this included internal costs incurred in directly managing investee companies, principally Australian Advanced Materials (memory and battery technology) and Stealth Technologies (robotics and artificial intelligence).

The Company notes that the December 2020 quarter's expenditure increased over September 2020 due to additional engineering work undertaken in Stealth Technologies preparing the Autonomous Security Vehicle deployment with Honeywell for the WA Department of Justice.

Due to the approx. \$1m in funding, secured by Australian Advanced Materials (AAM) in a collaborative grant announced under the ARC Linkage project¹, AAM only incurred \$10k in direct costs in the December quarter. Additional expenditure was incurred in AAM as a result of expanding the UNSW team but due to the cashflow format, these costs are not directly reflected in this statement. Stealth Technologies received \$10k in contract revenue and \$12k in Government Grants. Stealth invested further in development of the ASV with \$298k expensed directly on final R&D development, staff and operating costs. Spending in resources sector innovation was minimal with Maria Resources receiving income of \$9k and expensed \$38k in development expenditure. Strategic Materials expenditure was \$5k during the quarter.

As previously announced, several agreements were entered into by Stealth Technologies for the Autonomous Security Vehicle (ASV) including with US giant Honeywell, CSIRO, Planck AeroSystems and the University of Western Australia School of Agriculture and Environment. Australian Advanced Materials announced significant developments on the Self-charging Battery and significantly progressed the Nanocube Memory Ink technology in agreement with the University of New South Wales and the CSIRO.

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 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. Any capital gains or capital losses from the disposal of PDF shares are disregarded. Shareholders should seek professional tax advice and can find further information at www.strategicelements.com.au

The Company has reported payments of \$212,000 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 announcements of material developments made by SOR during the December quarter.

Australian Advanced Materials (AAM)

- 30 December: SOR released testing results from the Nanocube Memory program
- 8 December: SOR released a presentation on the Battery Ink.
- 1 December: SOR announced the successful scale up of the self-charging Battery Ink.
- 30 October: SOR announced further information on the self-charging battery.
- 28 October: SOR announced the lodgement of a patent for the Nanocube Memory technology.
- 27 October: SOR announced the development of a self-charging battery.

Stealth Technologies (Stealth)

- 12 November: SOR announced Stealth licensed Data61's Wildcat SLAM technology.
- 4 November: SOR announced Stealth had signed a collaboration agreement with Plank Aero.
- 19 October: SOR announced Stealth's development work within the agriculture sector.
- 16 October: SOR announced an amendment to extent the Honeywell agreement.

Strategic Materials (SML)

No exploration was conducted during the quarter.

Maria Resources (MRL)

No exploration was conducted during the quarter

More Information:

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

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 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6.months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9	109
1.2 Payments for		
(a) research and development	(27)	(102)
(b) product manufacturing and operating costs	(173)	(295)
(c) advertising and marketing	(58)	(83)
(d) leased assets	-	-
(e) staff costs	(337)	(559)
(f) administration and corporate costs	(189)	(330)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	5
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	22	100
1.8 Other (provide details if material)	-	-
1.9 Net cash used in operating activities	(753)	(1,156)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(15)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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 (6 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	-	(15)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	5,100	5,100
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	(191)	(191)
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 / (used in) financing activities	4,909	4,909

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,892	2,310
4.2 Net cash used in operating activities (item 1.9 above)	(753)	(1,156)
4.3 Net cash used in investing activities (item 2.6 above)	-	(15)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	4,911	4,911

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 (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,050	6,050

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	6,010	352
5.2	Call deposits	-	1,500
5.3	Bank overdrafts	-	-
5.4	Other (1 Year Term Deposit)	40	40
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,050	1,892

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	212
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.

7. Financing facilities <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>	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)	(751)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,050
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	6,050
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	8.06
<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: 27-January-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.