



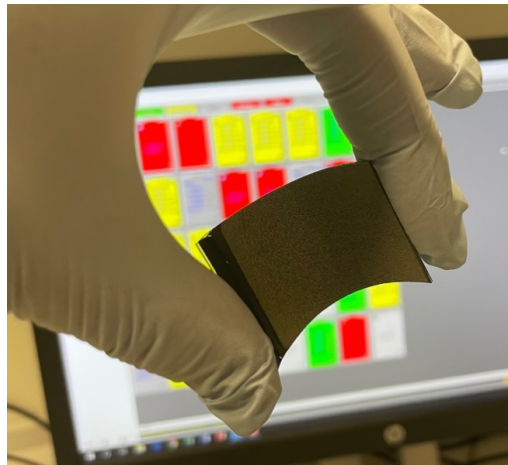
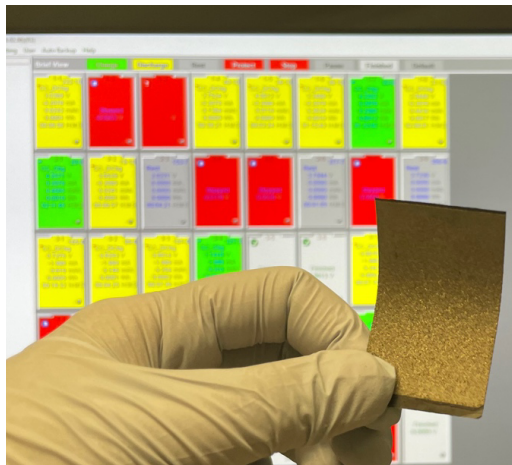
Strategic Elements December Quarter Update

Perth, Australia – 31 January 2022 Strategic Elements Ltd (ASX: SOR) provides the following Company update to accompany the attached Appendix 4C lodged for the quarter ending 31 December 2021.

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". The Company operates as a venture builder where it generates high risk-high reward ventures by combining teams of leading scientists and innovators. SOR majority funds initial development of each venture whilst remaining open to a strategic investor that could strongly assist commercialisation.

Australian Advanced Materials (AAM) (100%) is developing Battery Ink technology under a formal collaboration with the University of New South Wales (UNSW). The group at UNSW have developed extensive experience in electronic inks, energy harvesting and storage over the past 10 years and are applying that in development of the Battery Ink technology. UNSW School of Materials Science and Engineering is a leader in Australia for material science and has a number of partnerships with leading companies such as Boral, Hitachi Chemical, One Steel and many more.

The collaboration is partially funded by the Federal Government through the Australian Research Council¹. AAM combines this funding with Research and Development Tax Incentive to offset a significant amount of Battery Ink development costs. AAM has applied for other avenues of innovation funding during the quarter that do not require shares to be issued. The outcomes of these applications are expected to be known in Q1 and Q2, 2022.



Significant advances were made by Australian Advanced Materials (AAM) in the Battery Ink technology throughout the whole of Q4, 2021 and into 2022². Intellectual Property gained through development of the Company's Nanocube printable memory ink technology has enabled the Company and the University of New South Wales to achieve key development milestones rapidly and very early in the development process. Development conducted during the quarter resulted in significant technical breakthroughs that have been covered by patent application.

AAM has committed Q1, 2022 to providing the technical team with freedom 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 generated from the Battery Ink.

Stealth Technologies Pty Ltd (Stealth) (100%) successfully achieved multiple development and program milestones across the Autonomous Security Vehicle (ASV), Autonomous CBRN Agent Detection and Autonomous Mining applications under development.

Stealth is collaborating with global Fortune 100 software-industrial company Honeywell to develop autonomous security vehicles for the correctional sector. The ASV seamlessly integrates into the prison'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.

PIDS are the first line of defence to deter, detect and delay intruders, prevent escapes and keep staff safe. Operational testing of PIDS is required multiple times a day and is currently only possible through physical interaction between prison guards and PIDS. This is a critically important but mundane task for human guards which may produce inconsistent test results, cause physical damage to PIDS, and reduce testing frequency due to high labour costs. Importantly, PIDS testing engages highly skilled staff for a repetitive, labour-intensive process that can be re-deployed more productively elsewhere in the facility.

The world's first ASV successfully completed thousands of operational tests of advanced Perimeter Intrusion Detection Systems at a Western Australian prison facility³. This included 4,100 autonomous operational tests on the high security fence sensor system, > 2,300 autonomous operational tests on perimeter photo-electric beam detectors, > 2,200 autonomous operational tests on buried electromagnetic cable detectors and > 1,800 autonomous operational tests on advanced microwave motion sensors. Whilst autonomously testing and patrolling the secure perimeter, the ASV successfully fed hundreds of hours of mobile HD surveillance video to the prison's Patrol Control Centre. Stealth is currently conducting a full review and assessment of ASV missions made to date. Discussions on a commercial agreement between Stealth Technologies and Honeywell are continuing.

During the quarter Stealth agreed to commence a phased pilot investigation with a mining Company³. Phase 1 involves the supply and install of a Stealth Sensor Unit containing sensor fusion and computer vision technology from Stealth's Autonomous AxV platform. The Sensor Unit will capture mapping data of a portion of a mine's underground environment to assist in validating the potential suitability of a Stealth technology solution.

The Company does not consider the pilot investigation material at this stage. There is no payment involved in Phase 1 for the Stealth Sensor Unit. Phase 2 will be dependent on the successful delivery of Phase 1 and further discussion and commercial agreement. Stealth is very appreciative of the opportunity to supply and install its technology into an operational underground mine and looks forward to demonstrating its potential to solve existing real-world problems. It is intended that Phase 1 will complete in Q1, 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 detection and sensing of chemical, biological, radiological and nuclear (CBRN) agents⁴. Multiple streams of work have been focused on further development of the AxV Gen 2 software and hardware stack, with expanded capabilities to support the CBRN project including sensor drivers, navigation modules and the mission control system. Concept design of the AxV Gen 2 is expected to be released in February 2022. Live drone testing of the mission control algorithms for multi-drone CBRN search has commenced and will complete in Q1, 2022³.

Stealth is also developing technology to automate capture and integration of multiple types of data and produce 3D location maps of agricultural weeds⁵. 3D Mapping of agricultural weeds will enable farmers to apply modern agronomy to weed management. Stealth is collaborating with 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. Data has been received and is currently being processed by the Stealth team. Results are expected to be available in Q1, 2022.

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 lodged further permit applications in the Madura Province during the quarter that 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. With continued interest and demand for technology metals the Company has entered further negotiations with traditional owners on the 222km² Cyclops Project area. Subject to successful negotiation and geological appraisal, Maria will commence initial exploration of the Cyclops Project during Q1 2022.

Cognition Engines Pty Ltd (Cognition) (100%) has been actively working on innovative approaches to transform how data is used. A patent application was made during Q3 2021 with the invention title Cognitive Engine. Further information on the activities of Cognition will be made available at the appropriate time.

Strategic Elements Ltd ended the December quarter with \$6.0M in cash. Across the group, **net** expenditure was \$840k. Strategic Elements Ltd incurred expenditure of \$410k, 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 \$177k 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 \$235k which relates to R&D development undertaken at UNSW, consultants and other costs incurred in developing and managing AAM's IP portfolio. As discussed, development costs were offset directly as a result of the ongoing collaborative grant announced under the ARC Linkage project¹ and the Research and Development Tax Incentive.

Stealth Technologies (Stealth) incurred \$307k 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 \$130k in contract revenue during the December quarter resulting in net expenditure of \$173k. Maria Resources incurred \$28k in costs associated with the evaluation of exploration projects. Strategic Materials expensed 2k during the quarter.

More Information:

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Footnotes

¹ ASX Announcement 30/06/2020

² ASX Announcement 25/01/2022

³ ASX Announcement 23/12/2021

⁴ ASX Announcement 06/07/2021

⁵ ASX Announcement 27/07/2021

⁶ ASX Announcement 29/10/2021

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 2021

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	135	204
1.2 Payments for		
(a) research and development	(368)	(601)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(26)	(78)
(d) leased assets	-	-
(e) staff costs	(363)	(851)
(f) administration and corporate costs	(216)	(529)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
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	(839)	(1,857)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(10)	(10)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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	(10)	(10)

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	6,917	7,925
4.2 Net cash used in operating activities (item 1.9 above)	(839)	(1,857)
4.3 Net cash used in investing activities (item 2.6 above)	(10)	(10)
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 (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	6,058	6,058

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	5,945	6,807
5.2	Term deposits	115	115
5.3	Bank overdrafts	-	-
5.4	Other (credit card)	(2)	(5)
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,058	6,917

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	177
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	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.</i>		
<i>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)	(839)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,058
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	6,058
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	7.22
<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: 31-01-2022

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.