

Perth, Australia
January 30, 2025



Strategic Elements December Quarter Update

Strategic Elements Ltd (ASX: SOR) provides the following update to accompany the Appendix 4C lodged for the quarter ending 31 December 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 and the SOR team is deeply engaged with each venture, whilst a major strategic investor/partner is sought to assist at the appropriate stage.

Pooled Development Fund Program

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.

The PDF program, established under the PDF Act, encourages investment in Australian SMEs by offering PDFs tax incentives to provide patient capital. This program helps bridge the funding gap for SME's that require long-term capital without the immediate pressure of rapid returns. This assists in fostering development of innovative Australian ventures.

Patient equity capital allows SMEs to grow sustainably and have longer incubation or development timeframes. Unlike traditional debt, which requires immediate repayments, or short-term equity, which demands quick returns, patient capital provides flexibility, allowing companies to focus on strategic initiatives like innovation, intellectual property, pilot program deployment, and partnering with potential customers.

Collaboration with Research Institutions and Universities

Wherever possible, SOR encourages its ventures to collaborate with research institutions and universities. By partnering with these institutions, companies gain access to advanced research infrastructure and expertise, which can significantly enhance their development capabilities and reduce their capital and operational expenditure. Additionally, these collaborations provide opportunities to apply for funding grants from federal sources. This access to external funding not only supports companies during the critical development stage but also offsets the capital required from SOR, optimising funds, and extending the resources available for opportunities.

Partnering and Market Engagement

Pilot programs or trial projects for initial deployment where a venture collaborates with a potential customer or partner to test, validate, and demonstrate the capabilities of its technology in a real-world environment are a key focus. The purpose is to prove the value and effectiveness of the solution before full-scale implementation, providing both the investee and the customer with insights into performance, potential improvements, and the overall feasibility of adoption.

Investment

As ventures mature, they will require additional funding to support their growth. SOR will play an active role in organising subsequent funding rounds by introducing co-investors and syndicate partners who are aligned with the venture's strategic goals. As SOR is providing patient equity capital to early-stage companies, timing will typically be after the stage in which a venture has validated its solution, and an appropriate valuation can be attained.

Australian Advanced Materials Pty Ltd

Australian Advanced Materials Pty Ltd (AAM), a wholly owned venture of SOR, is leading the development of the Energy Ink™ technology alongside a world-class material science team from the University of New South Wales and other collaborators. The technology focuses on generating energy from moisture in the air. SOR is backing the early-stage material science by introducing patient equity capital and other resources. SOR is funding initial development whilst seeking a key commercialisation partner/investor at the appropriate stage.

AAM has formed multiple collaborations and numerous prestigious scientific grants have been awarded after a highly competitive assessment and undergo rigorous peer review process. The team has successfully attracted over \$5M in total project funding to date.

The Energy Ink™ technology is still at an early stage and has significant hurdles to achieve technical feasibility. Advancements will be leveraged to attract global collaborators to tackle further unaddressed hurdles such as duration, shelf life, corrosion and transitioning from early stage prototypes to a more extensive, integrated system.

Successfully transferring development from individual small cells in a laboratory to fabrication of a larger number of cells in a commercial facility will be transformative for the Energy Ink™ technology. Importantly, it will also lay the foundation for discussions with printing, chemical materials and specialist manufacturers who could provide support in scaling up development and production of disposable versions of the technology.

During the period, a collaborative team from the University of New South Wales, Stealth Technologies, and SOR, in partnership with a commercial printed electronics facility, trialled several hybrid methods of automating fabrication of Energy Ink™ cells. The most promising of these was selected for an expanded trial completing in Q1, 2025.

Stealth Technologies Pty Ltd

Stealth Technologies Pty Ltd (Stealth), a wholly owned venture of SOR is developing the **AxV Platform** which combines the capabilities of autonomous vehicles, computer vision, robotics, and artificial intelligence into an integrated hardware and software platform. The AxV Platform is the accumulation of years of experience and development.

Stealth has worked under collaboration and research agreements in the past with a number of leading scientific research organizations including Defence Science and Technology Group (DSTG), University of Western Australia, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the University of New South Wales. Stealth has been successful in receiving grant funding from Defence West, Commonwealth Automotive Engineering Grant and CSIRO on Prime.

During the period Stealth and a consortium of leading Australian technology providers, regulators, government parties, potential end users and world-leading interdisciplinary researchers were awarded grant funding to create new human-AV systems, datasets, frameworks, case studies and platforms. An agreement is currently being finalised to determine amount of funding and IP arrangements related to each member.

During the period Stealth continued to work on applying its technology to underground mining operations. The technology, that Stealth originally developed for the ASV (Automated Security Vehicle) under a collaboration with Honeywell, has been expanded with the objective of significantly improving underground mine development and ore extraction.

During the period a Memorandum of Understanding (MOU) with an Australian Mining Company was signed to “enable the Parties to explore opportunities to work together for the purpose of Stealth advancing the development of the technology for application in an underground gold mining operation and for the Mining Company to evaluate and trial the technology in their underground mining operations, with a view to the Parties determining an appropriate Mine Efficiency Solution and negotiating and executing a potential Definitive Agreement or other potential licence or commercial arrangement for a Mine Efficiency Solution”.

During Q1, 2025 the Parties propose to conduct site visits to operating mines to a) test and refine the technology b) determine how the technology could be integrated into operations, and (c) to develop a roadmap to implement the technology at one or more underground mines.

The Parties have agreed to work towards the following key deliverables by such timeframes as may be agreed in writing between the Parties. Deliverables are: i) completion of initial technology tests; ii) discussion and agreement on costs to conduct a pilot trial; and iii) implementation of the technology through a pilot trial. Due to the non-binding and pre-revenue nature of the MOU agreement it is currently deemed to be non-material.

Maria Resources & Strategic Materials (100%)

Maria Resources is collaborating with Dr Franco Pirajno who was previously nominated as a top 1% highly cited researcher globally. He has 246 published peer-reviewed publications, is a sole author of 4 geology books and has presented 69 unpublished industry papers. In industry, Dr Pirajno has worked in mining and exploration with Anglo-American Corp of South Africa for 19 years in Africa, Australia, SW Pacific and New Zealand and was an Exploration Manager for Anglo-American Corporation of South Africa Ltd in the Southwest Pacific. Maria Resources focuses on applying innovative, scientific geological models to unexplored terrains and is currently working in the underexplored Madura Province (Nullarbor, WA).

Strategic Materials is currently in discussions with relevant New Zealand authorities regarding the Golden Blocks Project. Additionally, the company is developing a Project Information Memorandum to share key project details with potential partners or investors, ensuring it aligns with ASX public reporting requirements.

Strategic Elements Ltd

The Company ended the quarter with a strong cash position of \$5.15M and no debt. Across the group, net expenditure was \$697k; 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).

Corporate and internal costs incurred in operating the ASX-listed entity of \$303k were attributable to Strategic Elements. Payments of \$103k to related parties and their associates are reported at item 6.1 of the accompanying Appendix 4C, this includes remuneration for Executive Directors. AAM incurred expenditure of \$156k related to R&D development undertaken at UNSW, consultants and other costs incurred in research and managing AAM's IP portfolio. Stealth incurred \$214k in staff, consultants, and R&D development expenses across projects. Cognition Engines incurred no costs for R&D development and consulting costs. Maria incurred \$10k in costs associated with its technology metals projects. Strategic Materials incurred \$14k in permit and consulting fees for holding the Golden Blocks permit in New Zealand.

More Information: Mr Matthew Howard, Executive Director / Company Secretary

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

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 December 2024

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	-	-
1.2 Payments for		
(a) research and development	(242)	(698)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(3)	(11)
(d) leased assets	-	-
(e) staff costs	(303)	(745)
(f) administration and corporate costs	(190)	(439)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	42	94
1.5 Interest and other costs of finance paid	(1)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	368
1.8 Other	-	-
1.9 Net cash used in operating activities	(697)	(1,434)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1)	(9)
(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 (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	(1)	(9)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	875
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	-	(37)
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	-	838

4. Net increase/(decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	5,849	5,756
4.2 Net cash used in operating activities (item 1.9 above)	(697)	(1,434)
4.3 Net cash used in investing activities (item 2.6 above)	(1)	(9)
4.4 Net cash from financing activities (item 3.10 above)	-	838

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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	5,151	5,151

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	406	775
5.2	Term deposits	121	121
5.3	60 Day Notice	4,630	4,980
5.4	Other (credit card)	(6)	(27)
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,151	5,849

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	103
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	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)	(697)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,151
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	5,151
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	7.39
<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 January 2025

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.