Strategic Elements Ltd March Quarter Update

Perth, Australia – 30 April 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 31 March 2021.

Managing Director Charles Murphy said "the first quarter of 2021 saw Strategic Elements successfully achieve multiple milestones across its projects. Of note was the development work conducted to enable printed battery ink cells to be scaled down significantly in size. This opens up the opportunity to increase power output by connecting smaller battery cells together, similar in concept to how memory chips have increased capacity through increasing the density of smaller and smaller memory cells. In addition, it is exciting to see the ASV moving towards commercialisation after successfully moving through the concept, design and manufacture stages. Stealth Technologies is currently finalising Site Acceptance Testing of the ASV with Honeywell and the DOJ. We look forward to further updating shareholders on the Company's achievements and activities over the coming weeks".

Strategic Elements generates 100% owned ventures from combining teams of leading scientists or innovators in the technology and resources sectors.

1. **The Australian Federal Government has registered Strategic Elements as a Pooled Development Fund with a mandate to back Australian innovation.**

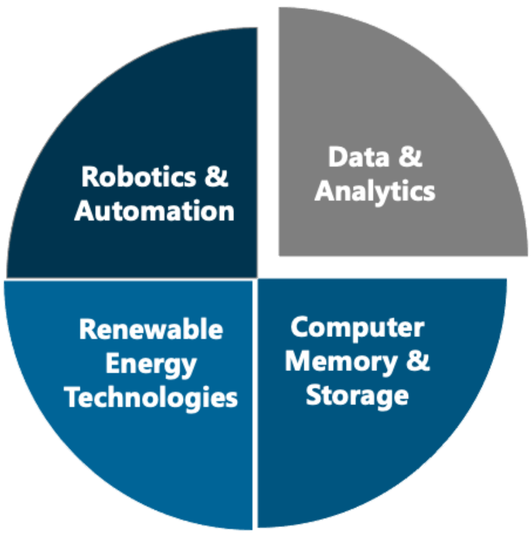
- The aim of the Pooled Development Funds programme is to increase the supply of capital to Australian small and medium-size enterprises (SMEs).
- PDFs are venture capital funds registered under the Pooled Development Funds Act 1992
- PDFs and their shareholders receive tax benefits on the capital gains and income derived from their investment. This is to help compensate for the higher risk of investing in SMEs.

2. **However the Company does not operate like a typical venture fund.**

- The Company does not seek to hold a large portfolio of investments minority 10-20% stakes. Instead it seeks to venture generate 100% owned companies in collaboration with teams of leading scientists or innovators.
- Access to $50M+ of institutional technical infrastructure and equipment, government grants and R&D cash back $$ significantly reduces up front expenditure.
- SOR sole funds initial development of each subsidiary whilst remaining open to a 'strategic investor'.
- SOR seeks returns through a trade sale or listing of a subsidiary, a licensing deal or income generated from a subsidiary.

High risk – high reward resources and technology innovation

The Company is developing technologies being driven by four of the largest megatrends.



1. **Robotics and automation** technology for mining, security, agriculture, transport. Collaboration with Fortune 100 Company 'Honeywell' for Autonomous Security Vehicles[1].
2. **Self-charging battery** technology in collaboration with the UNSW[2]. Uses humidity in air to generate electricity. Extremely small, thin, light weight flexible battery cells.
3. **Transparent flexible memory** technology working with the UNSW[3] and VTT (Finland). Enabling flexible plastic and glass surfaces to store and process data instead of needing silicon chips.
4. **Data related** technology acquisition/development has been noted by the Company as its next potential area for venture generation.

The technologies are 100% owned and held in subsidiary companies.

[1]Announced 16/10/2020
[2]Announced 1/12/2020
[3]Announced 30/07/2020

March Quarter 2021

The Company ended the December quarter with $5.2M in cash. Across the group, expenditure was $797k which included project development, research and development, product manufacturing costs and administration costs. Strategic Elements had net expenditure of $431k, 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 March 2021 quarter's expenditure remained consistent with the December 2020 quarter as a result of Stealth Technologies continued pre-deployment of 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 project[4], AAM only incurred $63k in direct costs in the March quarter. Additional expenditure was incurred as a result of expanding the UNSW research team. Stealth Technologies received $25k in contract revenue and invested further in development of the ASV with $275k expensed directly on final R&D development, staff and operating costs. Spending in resources sector innovation was minimal with Maria Resources expensing $26k in expenditure. Strategic Materials expenditure was $27k during the quarter.

The Company has reported payments of $152,000 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 March 2021 quarter.

Australian Advanced Materials (AAM)

31 March:	SOR announced that self-charging battery cells were successfully scaled down and a battery pack prototype successfully generated 14V from moisture in the air.
30 March:	SOR announced that self-charging battery cells were successfully fabricated onto flexible textile cloth and mechanically bent over 2000 times.
3 February:	SOR announced successful proof of concept results on neuromorphic memory testing of the Nanocube Memory Ink.
28 January:	SOR announced that self-charging battery successfully generated 4V from moisture in the air over a 5 hour testing period.

Stealth Technologies (Stealth)

25 March:	SOR announced the successful demonstration of the potential of its automation & robotics platform (AxV) to be leveraged for the multi-billion dollar global agriculture sector.
18 February:	SOR announced that development of a 'Sensor Fusion' stack has commenced for integration into a new generation of autonomous robotic security vehicles.

Strategic Materials (SML) & 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.

[4] ASX Announcement 30 Jul 2020

Appendix 4C

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

Name of entity

Strategic Elements Limited

ABN	**Quarter ended ("current quarter")**
47 122 437 503	31 March 2021

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		25	134
1.2	Payments for			
	(a)	research and development	(101)	(193)
	(b)	product manufacturing and operating costs	(108)	(403)
	(c)	advertising and marketing	(39)	(122)
	(d)	leased assets	-	-
	(e)	staff costs	(324)	(899)
	(f)	administration and corporate costs	(250)	(583)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		-	5
1.5	Interest and other costs of finance paid		-	(3)
1.6	Income taxes paid		-	-
1.7	Government grants and tax incentives		-	100
1.8	Other (provide details if material)		-	-
1.9	**Net cash used in operating activities**		**(797)**	**(1,964)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire or for:			
	(a)	entities	-	-
	(b)	businesses	-	-
	(c)	property, plant and equipment	(11)	(21)
	(d)	investments	-	-
	(e)	intellectual property	-	-
	(f)	other non-current assets	-	-

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**	**(11)**	**(21)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	-	(189)
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**	**-**	**4,911**

4.	**Net increase/(decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	6,044	2,310
4.2	Net cash used in operating activities (item 1.9 above)	(797)	(1,964)
4.3	Net cash used in investing activities (item 2.6 above)	(11)	(21)
4.4	Net cash from financing activities (item 3.10 above)	-	4,911

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	-	-
4.6	**Cash and cash equivalents at end of period**	**5,236**	**5,236**

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	5,196	6,004
5.2	Call deposits	-	-
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)**	**5,236**	**6,044**

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	152
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** *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.*	**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)	(797)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,236
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,236
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	6.57

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.

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

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.

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 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.