



31 January 2023

Quarterly Activity Report - Period ending 31 December 2022

Australian natural skin care company Skin Elements Limited (ASX: SKN) (Skin Elements, the Company) is pleased to present its Quarterly Activity Report for the period ending 31 December 2022.

Quarterly Highlights

- **The Company's ongoing SE Formula technology development program has delivered Eco Nurture, a sustainable horticulture plant bio stimulant.**
- **Continuing assessment and trial opportunities underway to develop the organic plant-based SE Formula into further commercial applications.**
- **Skin Elements continues to develop sales and marketing distribution channels in Australia and internationally for its products.**
- **R&D Rebate of \$195k received for the R&D expenditure invested in the previous quarter.**
- **Additional \$750,000 working capital secured.**

Commenting on the quarter, Skin Elements Executive Chairman Mr Peter Malone said;

"The Company is excited by the developments around its Eco Nurture plant bio stimulant for use in horticultural industries. The Company's SE Formula technology continues to deliver products that align with increasing emphasis on the importance of a healthy lifestyle and healthy planet.

Skin Elements is proud to be at the forefront of this innovation revolution with its SE Formula products that deliver a solution to the increasing evidence, knowledge and awareness of the effects of harmful, aggressive toxic ingredients used not only on our bodies, but also in our food chain, lands and waterways.

With the Company's SE Formula product ranges in production, Skin Elements continues to work closely with key distributors to position into and develop expanding sales opportunities for these products."

Natural Science by Skin Elements

Development of Eco Nurture Plant Bio Stimulant

The Company's continuing research into its SE Formula technology has resulted in the development of Eco Nurture, a sustainable horticultural specific plant bio stimulant.

Eco Nurture Plant Bio Stimulant helps the overall health of the plant by improving the plants' tolerance to stress. Eco Nurture is made from environmentally friendly, biodegradable materials which support the surrounding environment.

The Company has produced and supplied Eco Nurture to a number of farms in Australia and New Zealand to undertake testing and assessment of Eco Nurture for a range of food crops such as kiwifruit, apples, mangoes and grapes.

The successful completion of these initial assessments will position Eco Nurture into the emerging bio stimulants market in support of the multi billion dollar food crop industries.

SuprCuvr Distribution Agreement with Pacific Health

Pacific Health Care Pty Ltd (Pacific Health) has submitted SuprCuvr on the formal tender lists for broad scale adoption by government departments in Western Australia and Queensland as a hospital grade disinfectant and is pursuing sales and distribution opportunities with the New South Wales and Victoria governments. The outcome of tender list process is expected in the coming months, and once secured, Pacific Health will be able to deliver SuprCuvr contracts with these government and corporate sectors.

Pacific Health also made presentations to key private hospitals in WA and other states, and has undertaken trials with major sporting venues, mining companies, education campuses, and transport and logistics centres in WA.

SKN and Pacific Health has continued to work together to evaluate the initial market responses and update the formula potency, packaging presentation and competitive pricing structure.

Other Commercialisation Opportunities

The SE Formula is a high performance proprietary all-natural plant based technology used in the Company's proprietary award winning brands including Invisi-Shield SuprCuvr plant-based hospital grade disinfectant range, Eco Nurture plant bio stimulant, the Soléo Organics natural sunscreen brand, the PapayaActivs therapeutic skincare range and the Elizabeth Jane Natural Cosmetics.

Skin Elements continues to work on the development of existing and new additional distribution channels and opportunities for these product ranges in Australia and internationally.

With the Soléo Organics award winning sunscreen range in production, Skin Elements has been working with its distributors in Australia with new in-store display materials and competitive pricing structure targeted at pharmacies and health stores.

Production is underway to deliver the full range of PapayaActivs therapeutic skincare products that combine the power of Papaya with proven traditional natural ingredients that help relieve the symptoms of skin conditions, like psoriasis, rashes, eczema, assist in healing of minor burns and wounds, and relieve mild muscle, joint and arthritic pain.

The Company's product range is available through the Company's updated and optimised online store websites www.soleoorganics.com and www.sknlife.com.

For personal use only

Corporate

Research & Development Rebate

The Company's commitment to the development of new applications for its natural SE Formula technologies saw it receive R&D Rebate of \$195k for the R&D expenditure invested in the year to September 2022 quarter.

LDA Capital \$20 million equity funding facility

SKN has an equity funding facility agreement (Agreement) with LDA Capital, under which LDA Capital has agreed to provide Skin Elements with up to \$20 million in committed equity capital over a period of 36 months (ASX announcement, 6 April 2021).

The Agreement provides the Company with access to additional equity capital to support its growth objectives for the business, as required. The Company has not made any drawdown under this facility during the quarter.

Placement

On 4 November 2022 the Company advised it had finalised a private placement to sophisticated investors raising \$750,000 in cash (before costs). The Company issued 30,000,000 ordinary fully paid shares at \$0.025 each (under the Company's ASX LR7.1A placement capacity) with one attaching option exercisable at \$0.05 on or before 31 October 2025 for each new share (under the Company's ASX LR7.1 capacity) to the subscribers in the placement.

Summary of Operating Cashflows

The Company's research and development focus is reflected in the operating cashflows for the quarter, which included customer receipts of \$53k, R&D Tax Rebate advance of \$195k with \$735k being the annual repayment for the 2022 R&D advance for net outflow of \$540k in the quarter, and \$415k invested in product manufacturing, staff and research and development.

Marketing costs of \$31k, and corporate and administration costs of \$147k made up the balance of outflows as detailed in the Appendix 4C, resulting in net cash outflows from operating activities of \$1,134k for the quarter and cash on hand of \$480k.

Included in the operational cash outflows for the quarter is \$90k paid to entities associated with the Directors for executive services and directors' services in accordance with services agreements, details of which have been disclosed in the Company's 2022 Annual Report.

This announcement has been approved by the Board of Directors of Skin Elements Limited.

END

For further information please contact

Peter Malone
Executive Chairman
Skin Elements Limited
T: +61 439 430 770
E: peter@senatural.com

Media and Investor Inquiries
James Moses
Mandate Corporate
T: +61 420 991 574
E: james@manadatecorporate.com.au

For personal use only

About Skin Elements

Skin Elements (ASX: SKN) is an award winning Australian owned and operated ASX-listed health care company focused on the development of natural and organic health care products. Skin Elements innovative approach to plant-based and organic personal care and skincare products has enabled the creation of a portfolio of products that have been sold and distributed across the world. Its flagship TGA products include the Soléo Organics natural and organic sunscreen, PapayaActivs natural therapeutics skincare, SuprCuvr TGA-registered hospital-grade plant-based disinfectant, Invisi Shield alcohol free natural sanitiser, and the recently developed Eco Nurture plant bio stimulant for agriculture and horticulture industries.

Further information is available via the Company website: <http://skinelementslimited.com> and on the Company online store: www.sknlife.com.au



For personal use only

Appendix 4C

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

Name of entity

SKIN ELEMENTS LIMITED (ASX:SKN)

ABN

90 608 047 794

Quarter ended (Current quarter)

31 December 2022

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	53	95
1.2 Payments for:	-	-
(a) research and development	(235)	(648)
(b) product manufacturing and operating costs	(78)	(132)
(c) advertising and marketing	(31)	(79)
(d) leased assets	-	-
(e) staff costs	(102)	(284)
(f) administration costs	(84)	(183)
(g) corporate costs	(63)	(121)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(54)	(54)
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives (net of funding repayments)	(540)	445
1.8 Other: (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,134)	(961)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
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 from / (used in) investing activities	-	-

Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (6 Months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	750	750
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	(57)	(57)
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	693	693
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	921	748
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,134)	(961)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	693	693
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	480	480

	Current quarter \$A'000	Previous quarter \$A'000
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		
5.1 Bank balances	480	921
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details):	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	480	921

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 | 90 |
| 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 and 6.2 your quarterly activity report must include a description of, and an explanation for, such payments

Included in the operational cash outflows for the quarter is \$90k paid to entities associated with the Directors for executive services and directors' services in accordance with services agreements, details of which have been disclosed in the Company's 2022 Annual Report.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify): LDA Capital Equity Funding Facility	20,000	-
7.4 Total financing facilities	20,000	-

7.5 **Unused financing facilities available at quarter end** 20,000

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.

LDA Capital Equity Funding Facility Terms and conditions:

Key terms and conditions:

- **Terms** 36 months
- **Total facility** Put options to require LDA to subscribe for up to \$20 million of shares at the Company's election.
- **Drawdown** Nil
- **Issue Price** The issue price of the shares pursuant to a put option will be 90% of the higher of:
 - The average VWAP of shares in the 30-trading day period after the issue of a call option by the Company (subject to any applicable adjustments); and
 - the minimum price notified to LDA Capital by the Company upon the issue of the call option.
- **Limit** During the term of the Agreement, LDA Capital may not hold more than 19.9% of the issued share capital of the Company.
- **Security** SKN will issue LDA Capital collateral shares (SKN ordinary fully paid for nil consideration) on a one for one basis to the number of shares issued under the capital call notice less any collateral shares already held by LDA Capital.
- **Capacity** Any placement to LDA Capital is expected to be made under the Company's Listing Rule 7.1 capacity.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,134)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	480
8.3 Unused finance facilities available at quarter end (Item 7.5)	20,000
8.4 Total available funding (Item 8.2 + Item 8.3)	20,480
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	18.1

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:

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

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

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: Tuesday, 31 January 2023

Authorised by: The Board of Directors
(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 – e.g. 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.