



5 May 2017

Skin Elements Limited ASX ANNOUNCEMENT

ASX CODE : SKN

Skin Elements Completes Acquisition of McArthur Skincare

Key Points

- Skin Elements has successfully finalised due diligence and completed the acquisition of leading Australian natural skin care business McArthur Skincare - total cash and scrip consideration \$1m
- Acquisition is highly synergistic and value accretive - transforms Skin Elements into a substantial Australian natural skin care company
- McArthur Skincare is one of Australia's leading manufacturers and distributors of natural skin care products - approximately \$23m in sales since inception in 2010
- Post-acquisition Skin Elements will now;
 - Seek to increase market share of McArthur Skincare's highly popular product range;
 - Utilise McArthur Skincare's multi-channel sales model to drive sales of its Soléo-branded products;
 - Establish new sales channels and markets for the entire consolidation product range; and
 - Develop innovative new skin care products.

Australian natural skin care company Skin Elements Limited (ASX: SKN) (Skin Elements, the Company) is pleased to announce it has successfully completed Due Diligence and has completed the acquisition of the business and business assets of Tom McArthur Pty Ltd, the owner and manufacturer of the McArthur Skincare range of therapeutic and cosmetic skin care products.

Skin Elements entered into a Binding Agreement (Agreement) to acquire McArthur Skincare for a total cash and scrip consideration of \$1 million earlier this month (ASX announcement, 19 April 2017). The Company now advises it has completed due diligence to its satisfaction and has completed the acquisition.

Skin Elements is delighted to have finalised the acquisition. It is a highly synergistic and value accretive transaction which immediately transforms Skin Elements into a natural skin care company of significant scale and size – generating substantial turnover and sales from the McArthur Skincare product range.

McArthur Skincare is an established, highly successful 100% Australian owned and operated company which has generated total sales of approximately \$23 million since inception in 2010. It has a comprehensive range of 17 natural pawpaw-based skin care products, including Therapeutic Goods Administration (TGA) listed therapeutic products and other cosmetic skin care products.

Post-acquisition - Next Steps

With the acquisition now complete, Skin Elements has assumed full control of the business assets, including the product range, and business operations of McArthur Skincare. This includes all revenue from sale of McArthur Skincare products and the responsibility for the manufacture of products and operational expenses.

Also, as per the terms of the acquisition, it is proposed that Mr Filippo Giglia will now join the Skin Elements board as a Non-executive Director.

Post-acquisition, the Company has an expanded product range of 29 products covering therapeutic skin care, sun care, and cosmetic skin and beauty care. Skin Elements will seek to immediately grow sales of the highly popular McArthur Skincare products, and is also making preparations for the first commercial scale production run of its core product, the Soléo Organics 100% natural and organic sunscreen.

McArthur Skincare has a highly successful, multi-channel sales model. This includes global retail direct online sales from the Company website, supported by digital media sales channels. Its products are also well stocked by leading Australian pharmacies and health food stores. Skin Elements will utilise McArthur Skincare's established sales channels to drive sales of its Soléo-branded products, and will also establish new sales and distribution channels for the entire consolidated product range in key global markets.

The Company also has plans to further expand the product range via brand extensions to its Soléo sunscreen, and other innovative new skin care products.

Skin Elements will update the market on progress on these initiatives in due course.

About McArthur Skincare

McArthur Skincare was founded in 2010 and is one of Australia's leading manufacturers and distributors of natural pawpaw-based skin care products. It is headquartered in Perth, Western Australia and its products are manufactured at laboratory facilities in Brisbane, Australia. Its product range has expanded from an initial launch of three skin care products to a diverse range of 17 therapeutic and cosmetic skin care products. The therapeutic products are all listed on the Australian Register of Therapeutic Goods (ARTG), and are designed to provide symptomatic relief for psoriasis, dermatitis, eczema and rashes, minor burns and wounds, and muscle, joint and rheumatic pain. Details of McArthur Skincare's therapeutic skin care products are included in the ASX announcement of 19 April 2017.

Details of Acquisition Consideration

Skin Elements has completed the acquisition of McArthur Skincare as per the terms of Agreement (ASX announcement of 19 April 2017), for a total consideration of \$1 million, as follows:

- \$300,000 payment in cash;
- \$600,000 payment by the issue of 3,000,000 Skin Elements ordinary fully paid shares at an issue price of \$0.20 per share; and
- \$100,000 payment in cash, as a part payment for McArthur Skincare's stock on hand, including pending orders, at the time of the completion of the Agreement (Commencement Stock).

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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@mandatecorporate.com.au

About Skin Elements

Skin Elements is an ASX-listed skin care company focused on the development of natural and organic skin care products, as an alternative to current chemical-based products. It has developed a portfolio of products which includes its lead product, the Soléo Organics 100% natural and organic sunscreen, and the Elizabeth Jane Natural Cosmetics brand. The Company has completed a highly successful test marketing phase in major international markets for Soléo Organics and has regulatory approval with the USA FDA, TGA and other significant regulators. Skin Elements aims to become the number one recognised national and international sunscreen brand.

Further information is available via the Company website: <http://soleoorganics.com/>

