

SKIN ELEMENTS LIMITED

ABN 90 608 047 794

and its controlled entities



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Annual Report

2024

Corporate directory

Current Directors

Peter Malone	<i>Executive Chairman</i>
Filippo (Phil) Giglia	<i>Non-Executive Director</i>
Stuart Usher	<i>Non-Executive Director</i>

Company Secretary

Stuart Usher

Registered Office

Street: 1242 Hay Street
West Perth WA 6005

Postal: 1242 Hay Street
WEST PERTH WA 6005

Telephone: +61 (0)8 6311 1900

Facsimile: +61 (0)8 6311 1999

Email: info@skinelements.com

Website: www.skinelementslimited.com

Auditors

BDO Audit Pty Ltd

Street: Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000

Telephone: +61 (0)8 6382 4600

Facsimile: +61 (0)8 6382 4601

Website: www.bdo.com.au

Share Registry

Link Market Services Limited

Street: Level 12, QV1 Building, 250 St Georges Terrace
Perth WA 6000

Telephone: 1300 554 474 (within Australia)
+61 1300 554 474 (International)

Facsimile: +61 (0)8 6370 4203

Email: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au

Securities Exchange

Australian Securities Exchange

Street: Level 40, Central Park, 152-158 St Georges Terrace
Perth WA 6000

Telephone: 131 ASX (131 279) (within Australia)

Telephone: +61 (0)2 9338 0000

Facsimile: +61 (0)2 9227 0885

Website: www.asx.com.au

ASX Code: SKN



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Directors' report

Your directors present their report on the Group, consisting of Skin Elements Limited (**Skin Elements** or **the Company**) and its controlled entities (collectively **the Group**), for the financial year ended 30 June 2024 (**FY2024**).

Skin Elements is listed on the Australian Securities Exchange (ASX: SKN).

1. Directors

The names of Directors in office at any time during or since the end of the year are:

 Peter Malone	Executive Chairman and Chief Executive Officer
 Filippo (Phil) Giglia	Independent Non-Executive Director
 Stuart Usher	Independent Non-Executive Director (the Directors or the Board)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. For additional information on Directors including details of the qualifications of Directors please refer to paragraph 6 *Information relating to the Directors* of this Directors Report.

2. Company secretary

The following persons held the position of Company Secretary at the end of the financial year:

 Stuart Usher	Please refer to paragraph 6 <i>Information relating to the Directors</i> of this Directors Report.
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3. Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 30 June 2024 (2023: \$nil).

4. Significant changes in the state of affairs

4.1. Issue of equity instruments

During the year, Skin Elements Limited had the following changes in its capital structure:

4.1.1. Shares

 01.11.2023	A placement of 20 million shares were issued at \$0.01, raising \$200,000.
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4.1.2. Options

 01.11.2023	In respect to the 20 million share placement 20 million free attaching options were issued. The options are exercisable at \$0.02 on or before 31 May 2026.
 15.03.2024	LDA options, total 26 million options, expired.

There have been no other significant changes in the state of affairs of the Group during FY2024 other than disclosed elsewhere in this Annual Report.

5. Operating and financial review

5.1. Nature of Operations and Principal Activities

Skin Elements is a researcher and developer of the innovative proprietary SE Formula™ biotechnology. This plant-based and organic sourced SE Formula™ is used as a base in the Company's proprietary flagship products including the SuprCuvr TGA-registered hospital-grade plant-based disinfectant, ECO-Nurture plant bio-stimulant, Invisi Shield alcohol free natural sanitiser, Soléo Organics natural and organic sunscreen, PapayaActivs natural therapeutics skincare and Elizabeth Jane Natural Cosmetics brand.

5.2. Operations Review

5.2.1. Development of SE Formula™

The SE Formula™ has been developed by Skin Elements over the last 15 years and is the core of every natural product developed by Skin Elements. Products with the SE Formula™ have scientifically proven as high performance while using only natural and plant-based ingredients.

Skin Elements has a three-phase development process leading into commercial scale production and sales:

-  **Phase 1** Pure research and development to undertake investigations into natural organic ingredients and processes to prepare prototype formulations.
-  **Phase 2** Produce test batches and undertake product trials, test marketing and regulatory certifications.
-  **Phase 3** Negotiate distribution agreements and commence scale up production and launch into commercialisation.

5.2.2. Development of ECO-Nurture Plant Bio-Stimulant

ECO-Nurture is a sustainable, horticultural-specific plant bio stimulant product developed from the plant-based SE Formula biotechnology research and development program as an effective alternative to chemical-based agricultural sprays currently used in crop disease protection globally.

Directors' report

Following extensive successful evaluation of ECO-Nurture in a live agricultural setting, including a full-season spray-program evaluation of ECO-Nurture on 10 kiwifruit farms in New Zealand, ECO Nurture has demonstrated that it is effective against bacteria which has negatively impacted kiwifruit industry in addition to supporting high fruit quality, yield quantity, and cosmetic look of the fruit with zero residual toxicity.

During the last quarter, over 2,500 litres of ECO Nurture concentrate have been delivered to kiwifruit orchard managers in New Zealand with a further 1,500 litres delivered in July. For the third year of the farm evaluations commencing presently over 120 orchards out of the 200 kiwifruit owners have all agreed to immediately move over to ECO Nurture spray application program instead of using chemicals – an immediate 60% take-up.

This evaluation was conducted under Zespri Crop Protection Standards Justified Approval protocols with ECO-Nurture now on the official list Zespri approved spray list. Headquartered in New Zealand, Zespri is the world's largest marketer of kiwifruit with over \$4.5 billion in sales annually.

With the initial success of its evaluation in the kiwifruit sector, the Company is assessing opportunities in other horticulture sectors, including testing on grapes and other fruit and vegetable crops.

5.2.3. SuprCuvr - Development Phase 2 Market Testing

SuprCuvr is a TGA registered hospital-grade disinfectant made from the Company's proprietary 100% plant-based SE formula. It combines the world's highest level of efficacy against viral and bacterial infection with a 100% plant-based organic input certified formula to present a significant market opportunity for a chemical-free disinfectant in large-scale settings such as food manufacturing, hospitality retailing businesses, public transport, educational facilities, hospitals and health services.

Skin Elements has continued to focus on test market assessment and qualification of SuprCuvr in transport and educational sectors. These represent large-scale, commercial opportunities for SuprCuvr to be utilised as a disinfectant, replacing widely used chemical-based products.

The Company is currently delivering early sales of SuprCuvr 3 in 1 formulae for disinfectant cleaning, across all government high schools and urban train carriages and stations in Melbourne, Australia.

5.2.4. Soléo Organics

Soléo Organics is an award-winning, natural and organic sunscreen formulation, providing a highly effective, high-performance chemical-free sunscreen. It was the first application borne out of Skin Elements' SE Formula research and development program.

Negotiations continue to progress during the quarter with a leading health retail group in the United Kingdom for distribution of the Soléo Organics sunscreen formulation under white label.

As part of this process, independent laboratory testing designed to confirm key performance specifications for the UK market is in progress. This includes testing the Soléo Organics sunscreen formulation and final product development testing for both an SPF50 and 5-Star UVA rating which has previously been unheard of for a natural organic sunscreen formulation.

Skin Elements participated in an exclusive *Rolls Royce Strive for Perfection: Celebrating 20 years of Goodwood* event held in London, on 6 October 2023. Skin Elements was delighted to be a partner at the event and to promote its natural and organic Soléo Organics to a high net-worth audience with a focus on high-end, innovative and sustainable products.

5.2.5. PapayaActives Phase 2 Completion

The fourth SE formulation, PapayaActives combines a high concentration of natural pawpaw extract with other active natural ingredients to 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. PapayaActives is listed on the TGAs Australian Register of Therapeutic Goods.

Skin Elements has completed the Phase 2 product formulation improvements with products expected to go into Phase 3 test market launch in FY2025.

5.2.6. Research and development (R&D) tax incentive grant income

During the period, Skin Elements received R&D Rebate of \$1.13 million in relation to the eligible research and development spend in FY2023 and an advance of \$717K under a R&D Rebate advance facility provided by Radium Capital in relation to the FY2024 eligible R&D expenditure.

The Company's commitment to the continued research and development of its natural SE Formula Biotechnology sees it eligible for the Federal Government's *R&D tax incentive* for the FY2024 with R&D Rebate calculation of \$1.19 million as at 30 June 2024.

Directors' report

5.2.7. Placement raises \$200,000

The Company announced on 23 October 2023 that it had undertaken a private placement to sophisticated investors raising \$200,000 (before costs). The Company issued 20,000,000 SKN fully paid ordinary shares (under the Company's ASX LR7.1A placement capacity) at \$0.01 each with one attaching SKNOD option exercisable at \$0.025 on or before 31 May 2026 (under the Company's ASX LR7.1 capacity) for each new share issued.

5.3. Financial Review

5.3.1. Key profit and loss measures

	Movement (increased/ decreased)	Movement \$	2024 \$	2023 \$
Revenues from ordinary activities	increased	222,071	416,202	194,131
Loss from ordinary activities after tax	decreased	9,254,885	(2,161,283)	(11,416,168)
EBITDA Loss	decreased	277,143	(1,818,883)	(2,096,026)

5.3.2. Key net asset measures

	Movement (increased/ decreased)	Movement \$	2024 \$	2023 \$
Cash and cash equivalents	decreased	243,361	115,071	358,432
Working capital deficit (excluding prepayments)	increased	2,203,019	1,669,883	533,136
Net tangible liabilities	decreased	2,237,641	(1,632,838)	604,803
Net liabilities	decreased	2,237,641	(1,632,838)	604,803

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the year of \$2,161,283 (2023: \$11,416,168 loss) and a net cash out-flow from operating activities of \$279,377 (2023: \$1,835,931 out-flow). As at 30 June 2024, the Group a working capital deficit of \$1,669,883 (2023: \$533,136 working capital), as disclosed in note 8 of the *Capital Management* note.

The ability of the Group to continue as a going concern is dependent on the Group securing additional debt and/or equity funding and/or generating profits from its normal course of business.

These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors are confident that there will be sufficient funds for the Group to meet its obligations and liabilities and believe it is appropriate to prepare these accounts on a going concern basis for the following reasons. Since 30 June 2023, the Group has:

- Skin Elements is eligible for R&D Rebate tax incentive grant and has received \$1.13 million during the period in relation to eligible FY2023 R&D expenditure and accrued \$1.19 million as at 30 June 2024 in relation to eligible R&D expenditure for FY2024.
- Received \$796K under a R&D advance facility with Radium Capital.
- The Board intends, subject to shareholder approval, to issue equity securities in satisfaction of amounts owed to Directors and Key Management of approximately \$500K.
- The Directors' have confirmed they will not call upon balances owed until such time where the Company has the financial capacity to repay the amounts without impacting the Company's ability to continue as a going concern and pay its other liabilities as and when they fall due for payment.
- The Company has a successful track record of raising working capital when required through the issue of equity securities, through an entitlement issue or placement.

The Directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate. Given the Group's history of raising capital to date the Directors are confident of the Group's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

Directors' report

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

5.3.3. Adjustments made subsequent to the lodgement of the ASX Appendix 4E

Subsequent to the lodgement of the ASX Appendix 4E:

Loss after tax increased due to following material changes:

- *Share-based payment expense* decrease of \$235,226 due to the derecognition of rights as described in note 18.2.2d of the financial statement
- *Research and development costs* increase of \$799,063 due to a reassessment of payables.

Net assets and total equity decreased due to following material changes:

- *Cash and cash equivalents* decrease of \$27,257 and increase in *trade and other payables* of \$771,805 due to the above research and development costs increase.

5.4. Key Business Risks

The Group is subject to various risk factors, some specific to its business activities while others are of a more general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of the Group.

5.4.1. Reputation and brand

The strength of Skin Elements' brand and its portfolio is key to business success. Managing the reputation of brands, and mitigating events that may damage brands (e.g. inaccurate media coverage, product quality issues, counterfeit product, third party supplier negligence or incidents, unsatisfactory supplier performance, etc.) is critical to the Group's ongoing success.

5.4.2. Laws, regulations and geopolitical landscape

Skin Elements operates in a highly regulated industry in all markets in which goods are manufactured and sold. Changing geopolitical landscapes and regulations in each of these jurisdictions may impact many aspects of our operations, including tax assessment and dividend payments to the Group and all aspects of the supply chain (access to raw materials, production, manufacturing, pricing, marketing, advertising, labour, distribution, and product sales). Remaining compliant with, abreast of, and responsive to changes (some of which can significantly impact the nature of operations in these markets) requires diligent monitoring and responsiveness by the business.

5.4.3. Cybersecurity and data management

Data and information security is essential to protect critical intellectual property and data privacy. Continuing advances in technology, systems, and communication channels mean increasing amounts of private and confidential data are now stored electronically. This, together with increasing cybercrime, heightens the need for robust data security measures.

5.4.4. Key partnerships

Skin Elements relies on select key markets and customers (distributors and retailers) to support sales and delivery of strategic initiatives. Suboptimal performance of these markets or key customers, and/or detrimental shifts in market power, could have a significant impact on Skin Elements' ability to deliver against strategic initiatives.

5.4.5. People and culture

Skin Elements' ability to deliver on strategic targets is reliant on retaining and attracting experienced, skilled, and motivated talent. It also requires strong, resilient, and effective leaders as the business grows at pace.

5.4.6. Safety, health and wellbeing

Skin Elements cares about the physical and psychological safety, health and wellbeing of our customers, team members and business partners, including employees of our suppliers. We are committed to creating a safe and supportive environment for everyone working with, using, and impacted by our products and brand. Throughout the COVID-19 pandemic and in the last two years in particular, Skin Elements has ensured that measures were in place to protect our team members and business partners as a matter of priority.

5.4.7. Consumer and marketplace

Unanticipated changes in consumer preferences and demand, or competitive pressures that significantly alter the market landscape (e.g. COVID-19, online channel growth, acquisitions, aggressive price wars) can have adverse effects on the business' ability to capture growth opportunities or effectively manage inventory and supply.

5.4.8. Significant business interruption

The Group's scope of operations could expose it to a range of business disruption risks, such as environmental catastrophes, pandemics (such as COVID-19), natural and manmade hazards and incidents, or politically motivated violence or actions. Significant business disruption could result in Skin Elements' sites or employees being harmed or threatened, loss of key infrastructure, impacts to supply chain, manufacturing and inventory shortages or loss, financial and reputation impacts.

Directors’ report

5.4.9. Climate and sustainability

Skin Elements’ high quality and sustainability standards together with limited availability of natural ingredients, puts pressure on the continuous supply of some key products. Skin Elements’ ability to effectively respond to and manage the impacts of climate related change and changing markets is key to the company’s values, commitments and growth initiatives.

5.4.10. Financial and treasury

Major events in financial markets (e.g. fluctuations to currency, interest rates, FX, cost of capital, banking/commercial credit, etc.), economic, political, social and/ or major business event (e.g., product recall, pandemics like COVID-19 etc.) can significantly impact the business’ profitability, cash flow and results. The ability to hold sufficient liquidity to ensure the fulfilment of all payment obligations, and the management of capital and availability of funding, are important requirements to support business operations and growth.

5.5. Events Subsequent to Reporting Date

5.5.1. Receipt of R&D Rebate Advance Facility

In September 2024, the Company received a Research and development tax incentive rebate of \$1,193,629.

There are no other significant after balance date events that are not covered in this Directors’ Report or within the financial statements as disclosed in note 12 *Events subsequent to reporting date*.

5.6. Future Developments, Prospects, and Business Strategies

Likely developments in the operations, business strategies and prospects of the Group include:

- The Company will undertake future capital raising through either equity placement facility, private placement or entitlement issue, and the consideration of other equity and debt proposals
- The Company will continue to focus on development and commercialisation of its natural anti-microbial technology as set out in its review of operations.

Other likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report particularly given the early stage of the Company’s commercial operations with its new expanded range of natural and organic products. The Directors believe that the inclusion of such information would be likely to be unreasonably prejudicial to the Group.

5.7. Environmental Regulations

The Group’s operations are not subject to significant environmental regulations in the jurisdictions it operates in, namely Australia.

The Directors have considered the enacted *National Greenhouse and Energy Reporting Act 2007* (the NGER Act) which introduced a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act has no effect on the Company for the current, nor subsequent, financial year. The Directors will reassess this position as and when the need arises.

6. Information relating to the Directors

 Peter Malone	☐ Executive Chairman and Chief Executive Officer (<i>Appointed 4 September 2015</i>) Non-independent
Qualifications	☐ B.Arch. MBA
Experience	☐ Mr Malone has over 30 years’ experience in global financial markets and has been responsible for raising AUD\$100m+ for technology development companies. He has a proven track record in developing and managing technology development programs, from idea stage to reality. Previous CEO to listed companies, he has a master’s degree from UWA and has taught and consulted in Australia, USA, Europe and Asia in business and management. Mr Malone is responsible for the strategic direction of the Group and is Managing Director and CEO of the Company.
Interest in equity	☐ 31,743,116 Ordinary Shares 5,290,520 Options 50,000,000 Performance rights
Directorships held in other listed entities during the prior three years	☐ None



Directors' report

 Filippo (Phil) Giglia

○ Non-Executive Director (*Appointed 22 November 2017*)

Chairman of the Audit Committee, Remuneration Committee and Nomination Committee
Non-Independent

Qualifications

○ B.Bus, CA, Registered Company Auditor, Registered Tax Agent

Experience

○ Mr Giglia joined the Skin Elements' Board in November 2017. Mr Giglia is a Chartered Accountant with more than 25 years' experience in senior roles, with a strong depth of expertise in the small to medium enterprise sector. Mr Giglia worked for leading global accountancy firm Price Waterhouse Coopers from 1985 to 1991. He is the founder and principal of Perth accountancy practice, Giglia & Associates, and is also a director of Global Marine Enclosures Pty Ltd. Mr Giglia has a Bachelor of Business (with Distinction) from Curtin University, and is a Member of the Institute of Chartered Accountants in Australia and New Zealand.

Interest in equity

○ 5,069,277 Ordinary Shares
844,880 Options
10,000,000 Performance rights

Directorships held in other listed entities during the prior three years

○ None

 Stuart Usher

○ Non-Executive Director (*Appointed on 17 January 2023*)

Company Secretary (*Appointed on 17 January 2023*)
Independent

Qualifications

○ B.Bus, CPA, Grad Dip CSP, MBA, AGIA, FCIS

Experience

○ Mr Usher is a CPA and Chartered Company Secretary with 25 years of extensive experience in the management and corporate affairs of public listed companies. He holds an MBA from the University of Western Australia and has extensive experience across many industries focusing on Corporate & Financial Management, Strategy & Planning, Mergers & Acquisitions, and Investor Relations & Corporate Governance.

Interest in equity

○ Nil

Directorships held in other listed entities during the prior three years

○ Story-I Limited
Tian Poh Resources Limited

7. Meetings of directors and committees

During the financial year, eight meetings of Directors (including committees of Directors) were held.

	DIRECTORS MEETINGS		REMUNERATION AND NOMINATION COMMITTEE		AUDIT AND RISK COMMITTEE		FINANCE AND OPERATIONS COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Peter Malone	5	5	1	1	2	2	The Finance and Operations Committee comprise the full Board. The Board believes the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate committee. Accordingly, all matters capable of delegation to such committees are considered by the full Board.	
Filippo (Phil) Giglia	5	5	1	1	2	2		
Stuart Usher	5	5	-	-	-	-		

7.1. Risk management

The Board takes a pro-active approach to risk management. The Board is ultimately responsible for ensuring that risks and opportunities are identified on a timely basis and the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has established an Audit and Risk Committee that operates under a charter approved by the Board. The purpose of the Audit and Risk Committee is to assist the Board in fulfilling its corporate governance, oversight, risk management and compliance practices responsibilities.

Directors' report

8. Indemnifying officers or auditor

8.1. Indemnification

During the financial year the Company paid a premium in respect of a contract insuring the Directors and officers of the Company against a liability incurred by such directors and officers to the extent permitted by the Corporations Act 2001. The Company has not otherwise during or since the end of the year, indemnified, or agreed to indemnify an officer or an auditor of the Company, or of any related body corporate, against a liability incurred by such an officer or auditor.

8.2. Insurance premiums

During the year, the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. In accordance with the policy, the amount of premium cannot be disclosed.

9. Options

9.1. Unissued shares under option

At the date of this report, the unissued ordinary shares of the Company under option (listed and unlisted) are as follows:

ASX Security Code	Grant Date(s)	Date of Expiry	Exercise Price \$	Number under Option
SKNOD	05.2023, 06.2023 & 11.2023	31.05.2026	0.025	133,351,198
SKNAS	11.2022 & 02.2023	31.10.2025	0.050	58,000,000
				191,351,198

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of the Company or any other body corporate.

9.2. Shares issued on exercise of options

At the date of this report, no ordinary shares have been issued by the Company during the financial year due to the exercise of options (2023: nil).

10. Auditor's independence and non-audit services

10.1. Auditor independence

The Company's auditor's, BDO Audit (WA) Pty Ltd's (**BDO**), independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2024 has been received and can be found on page 15 and forms part of this Directors' report for the year ended 30 June 2024.

10.2. Non-audit services

During the year, BDO Corporate Tax (WA) Pty Ltd provided professional advisory services to assist the Group with the preparation of *Research & Development Tax* rebate registration. Fees for this service amounted to \$38,628 (2023: \$30,385).

Details of remuneration paid to the auditor can be found within the financial statements at note 16 *Auditor's Remuneration* on page 45.

As non-audit services are provided by BDO, the Board followed certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth). These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

11. Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* (Cth) for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001* (Cth).

Directors' report

12. Remuneration report (audited)

This report outlines the remuneration arrangements in place for the key management personnel of Skin Elements Limited (the **Company** or **Group** or individually **Skin Elements**) for the financial year ended 30 June 2024 and comparatives for the year ended 30 June 2023. The information in this remuneration report has been audited as required by s308(3C) of the *Corporations Act 2001* (Cth).

12.1. Key management personnel (KMP) covered in this report

For the purposes of this report KMP of Skin Elements are defined as those persons having authority and responsibility for planning, directing, and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company and all KMP. KMP comprise:

Directors

- Peter Malone Executive Chairman and Chief Executive Officer
- Filippo (Phil) Giglia Non-Executive Director
- Stuart Usher Non-Executive Director

Other key management personnel

- Leo Fung Chief Technical Advisor
- Craig Piercy Chief Financial Officer

Former KMP included in comparative information

- Lee Christensen Independent Non-Executive Director (*Appointed 31 August 2021, Resigned 17 January 2023*)

12.1.1. Changes since the end of the reporting period

There have been no other changes since the end of the reporting period.

12.2. Principles used to determine the nature and amount of remuneration

12.2.1. Remuneration Policy

The Board has established a Nomination and Remuneration Committee. The Committee shall provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities, however, ultimate responsibility for the Company's nomination and remuneration practices remains with the Board. The main functions and responsibilities of the Committee include the following:

-  assisting the Board in examining the selection and appointment practices of the Company;
-  ensuring remuneration arrangements are equitable and transparent and enable the Company to attract and retain executives and directors (executive and non-executive) who will create sustainable value for members and other stakeholders;
-  ensuring the Board is of an effective composition, size, and commitment to adequately discharge its responsibilities and duties;
-  reviewing Board succession plans and Board renewal;
-  reviewing the processes for evaluating the performance of the Board, its committees and individual directors and ensuring that a fair and responsible reward is provided to executives and directors having regard to their performance evaluation;
-  reviewing levels of diversity within the Company and Board and reporting on achievements pursuant to any diversity policy developed by the Board;
-  reviewing the Company's remuneration, recruitment, retention and termination policies for the Board and senior executives; and
-  complying with all relevant legislation and regulations including ASX Listing Rules and *Corporations Act 2001* (Cth).

12.2.2. Remuneration structure

The Group's policy for determining the nature and amount of remuneration of KMP is as follows:

a. Non-Executive Directors – Mr Filippo (Phil) Giglia and Mr Stuart Usher

The remuneration of non-executive Directors will be determined by the Board having regard to the Remuneration Committee's recommendations and evaluation of each individual Director's contribution to the Board.

Directors' report

12. Remuneration report (audited)

The maximum aggregate annual remuneration of non-executive directors is subject to approval by the shareholders in general meeting in accordance with the Company's Constitution, the ASX Listing Rules and the *Corporations Act 2001* (Cth). The current maximum aggregate remuneration amount to non-executive directors approved by shareholders under the Constitution is \$500,000 per year. The Directors have resolved that fees payable to non-executive directors (Messrs Giglia and Usher) for Board activities are \$60,000 p.a. with an additional fee of \$20,000 p.a. payable to the Chairman of the Audit and Risk Committee and the Nomination and Remuneration Committee (Mr Giglia).

b. Executive Directors and other Senior Executives

The Company's remuneration policy reflects the Company's obligation to align executive remuneration with shareholders' interests and to engage appropriately qualified executive talent for the benefit of the Company. In particular, reward should reflect the competitive global market in which the Company operates, individual reward should be linked to performance criteria and should reward both financial and non-financial performance of the Director.

The Board and *Nomination & Remuneration Committee* are in the process of assessing and implementing the Company's executive reward framework to ensure reward for performance is competitive and appropriate for the results delivered.

12.2.3. Performance Based Remuneration – Short-term and long-term incentive structure

The Board will review short-term and long-term incentive structures from time to time. Any incentive structure will be aligned with shareholders' interests.

a. Short-term incentives

No short-term incentives in the form of cash bonuses were granted during the year.

b. Long-term incentives

The Company has in place an Equity Incentive Plan to provide Performance Rights, Options, or Restricted Shares to Directors, Employees, or contractor of the Company. For the year ended 30 June 2024 other than as set out in the Share-based Compensation – Employee Incentive Plan all executive remuneration is set at base level fixed amounts at commensurate market rates or lower. The Equity Incentive Plan aligns shareholder and stakeholder values with executives as the hurdles embedded in the incentive plans include target share price milestones which are typically set at prices above the current share price at the date of issue and expire within a defined timeframe, as detailed in note 18.2.2 on page 46.

The executive Directors will be eligible to participate in any short term and long-term incentive arrangements operated or introduced by the Company (or any subsidiary) from time to time.

The relative proportions of executive remuneration that is fixed or at risk is outlined below:

Group KMP	Contract Commencement / Termination Date	Proportions of Elements of Remuneration Not Related to Performance (Fixed remuneration)		Proportions of Elements of Remuneration Related to Performance (At Risk – LTI)	
		2024 %	2023 %	2024 %	2023 %
Peter Malone	Appt 4.9.2015 ⁽¹⁾	100	72	Nil	28
Filippo (Phil) Giglia	Appt 22.11.2017	100	61	Nil	39
Stuart Usher	Appt 17.01.2023	100	100	Nil	Nil
Craig Piercy	Appt 29.11.2019 ⁽¹⁾	100	91	Nil	9
Leo Fung	Appt 18.02.2019 ⁽¹⁾	100	88	Nil	12

⁽¹⁾ These appointment dates are for the ultimate holding company Skin Elements Limited. Mr Malone, Mr Piercy, and Mr Fung were appointed as executives of wholly owned subsidiary SE Operations Pty Ltd on 1 March 2005.

12.2.4. Service agreements

Remuneration and terms of employment for other key management personnel are formalised in consultancy and employment agreements. The major provisions relating to remuneration to existing directors are set out below.

a. Executive Agreement

(1) Peter Malone Executive Chairman

The Company has entered into a consultancy agreement with Boston Technology Management Pty Ltd (**Boston Tech.**) to provide services to the Group (**Boston Consultancy Agreement**). Mr Malone is engaged by Boston Tech. to act as the Executive Chairman and Chief Executive Officer of the Group. Boston Tech. is paid a consulting fee of \$26,000 (plus GST) per month for at least 100 hours of service per month and is reimbursed for reasonable expenses incurred in the performance of its duties.

Directors' report

12. Remuneration report (audited)

The Boston Consultancy Agreement is on a continuing basis unless terminated by either party. The Boston Consultancy Agreement contains standard termination provisions under which the Company must give 3 months' written notice of termination (or shorter period in the event of a material breach) or alternatively payment in lieu of service. At the end of the notice period the Company must pay to Boston Tech. an amount equal to the consulting fee that would otherwise be payable to Boston Tech. over the 3-month period if the engagement had not been terminated.

(2) **Leo Fung** *Chief Technical Advisor*

The Company has entered into a consultancy agreement with Blackridge Group Pty Ltd (**Blackridge**) to provide services to the Group (**Blackridge Consultancy Agreement**). Mr Leo Fung is engaged by Blackridge to act as the Chief Technical Advisor of the Group. Blackridge is paid a consulting fee of \$14,690 (plus GST) per month for at least 100 hours of service per month and is reimbursed for reasonable expenses incurred in the performance of its duties.

The Blackridge Consultancy Agreement is on a continuing basis unless terminated by either party. The Blackridge Consultancy Agreement contains standard termination provisions under which the Company must give 3 months written notice of termination (or shorter period in the event of a material breach) or alternatively payment in lieu of service. At the end of the notice period the Company must pay to Blackridge an amount equal to the consulting fee that would otherwise be payable to Blackridge over the 3-month period if the engagement had not been terminated.

(3) **Craig Piercy** *Chief Financial Officer*

The Company has entered into a consultancy agreement with Boston Technology Management Pty Ltd (**Boston Tech.**) to provide services to the Group (**Boston Consultancy Agreement**). Mr Piercy is engaged by Boston Tech. to act as Chief Financial Officer of the Group. Boston Tech. is paid a consulting fee of \$14,690 (plus GST) per month for at least 100 hours of service per month and is reimbursed for reasonable expenses incurred in the performance of its duties.

The Boston Consultancy Agreement is on a continuing basis unless terminated by either party. The Boston Consultancy Agreement contains standard termination provisions under which the Company must give 3 months written notice of termination (or shorter period in the event of a material breach) or alternatively payment in lieu of service. At the end of the notice period the Company must pay to Boston Tech. an amount equal to the consulting fee that would otherwise be payable to Boston Tech. over the 3-month period if the engagement had not been terminated. These amounts have been included in the remuneration report below.

12.2.5. *Engagement of Remuneration Consultants*

During the financial year, the Company did not engage any remuneration consultants.

12.2.6. *Relationship between Remuneration of KMP and Earnings*

In considering the Group's performance and benefits for shareholders wealth, the Board has regard to the following indices in respect of the current financial year and the previous four financial years (where applicable). Reported below are measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001* (Cth). However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. Consequently, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded:

As at 30 June	2024	2023	2022	2021	2020
Revenue (\$)	416,202	194,131	1,408,330	288,741	425,167
Loss for the year attributable to owners of the Company (\$)	(2,161,283)	(11,416,168)	(1,580,910)	(3,042,523)	(1,910,234)
Basic earnings per share (cents)	(0.39)	(2.61)	(0.40)	(0.87)	(0.85)
Dividend payments (\$'000)	Nil	Nil	Nil	Nil	Nil
Share price (cents per share) ^{1, 2}	0.30	0.80	2.60	10.00	8.00
Increase/(decrease) in share price (%)	(62.50)	(69.23)	25.00	25.00	185.71

¹ FY2021: At last trade date, 14 January 2021. Company at the 30 June 2021 balance date was suspended

² FY2020: At last trade date, 8 May 2020. Company was suspended until reinstatement on 16 October 2020.

Directors' report

12. Remuneration report (audited)

12.3. Directors and KMP remuneration

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the Group. Such amounts have been calculated in accordance with Australian Accounting Standards.

2024– Group										
Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity	Performance Rights ⁽⁵⁾ (net of contra expense)	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Peter Malone ⁽¹⁾	271,200	-	-	-	-	-	-	-	(222,870)	48,330
Filippo (Phil) Giglia ⁽²⁾⁽⁷⁾	60,000	-	-	20,000	-	-	-	-	(44,574)	35,426
Stuart Usher ⁽⁴⁾	90,000	-	-	-	-	-	-	-	-	90,000
Craig Piercy ⁽¹⁾	176,291	-	-	-	-	-	-	-	-	176,291
Leo Fung ⁽³⁾	176,291	-	-	-	-	-	-	-	-	176,291
	773,782	-	-	20,000	-	-	-	-	(267,444)	526,338
2023 – Group										
Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other ⁽⁸⁾	Super-annuation	Other		Equity	Performance Rights ⁽⁶⁾ (net of contra expense)	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Peter Malone ⁽¹⁾	240,000	-	-	261,795	-	-	-	-	192,217	694,012
Filippo (Phil) Giglia ⁽²⁾	60,000	-	-	-	-	-	-	-	37,836	97,836
Stuart Usher ⁽⁴⁾	41,129	-	-	-	-	-	-	-	-	41,129
Lee Christensen ⁽⁹⁾	19,091	-	-	-	-	-	-	-	3,815	22,906
Craig Piercy ⁽¹⁾	156,000	-	-	170,167	-	-	-	-	32,857	359,024
Leo Fung ⁽³⁾	156,000	-	-	170,167	-	-	-	-	32,857	359,024
	672,220	-	-	602,129	-	-	-	-	299,582	1,573,931

⁽¹⁾ Peter Malone's and Craig Piercy's fees are paid to Boston Technology Management Pty Ltd.

⁽²⁾ Filippo (Phil) Giglia fees paid to Colosseum Securities Pty Ltd; agreement commenced on 22 November 2017.

⁽³⁾ Leo Fung's fees are paid to Blackridge Group Pty Ltd who engage Leo Fung.

⁽⁴⁾ Stuart Usher was appointed 17 January 2023. He received director fees and company secretary fees through two service entities. Mr Usher's company secretary fees are mandated at \$2,500 per month, on an ongoing basis.

⁽⁵⁾ In 2024, For Messrs Malone and Giglia, the 2022 Class B rights were derecognised due to a nil probability that the performance rights below will meet any of the vesting conditions by the milestone dates as described in note 18.2.2d of the financial statements. As a result of this, the 2022 Class B rights related to the current financial year and amounts relating to 2022 Class B performance that are historic (accounted for in prior periods) were derecognised through a contra-expense in share-based payments (see 18.2.2d).

⁽⁶⁾ In 2023, Peter Malone received equity-settled share-based payments comprising \$294,482 and a derecognition of rights amounting to (\$102,265), resulting in a net share-based payment of \$192,217.

⁽⁷⁾ In 2024, *other short-term benefits* for Filippo (Phil) Giglia represent a back-pay of audit committee fees for the 2023 financial year.

⁽⁸⁾ In 2023, *other short-term benefits* represent the accrual of historic annual and long service leave entitlements and superannuation entitlements. These represent recognition of normal commercial entitlements from current and previous periods not previously recognised.

⁽⁹⁾ Lee Christensen was appointed 31 August 2021 and resigned on 17 January 2023.

Directors' report

12. Remuneration report (audited)

12.4. Share-based compensation

12.4.1. As at 30 June 2024 the Company had the following securities on issue/lapse in connection with KMP share-based payments:

2024— Group		Number of rights at the start of the year/grant date	Value of rights at grant date ⁽¹⁾	Number of rights vested during the year	Value of rights at vesting date ⁽¹⁾	Number of rights lapsed during the year	Value at lapse date
Group KMP	Type of rights	No.	\$	No.	\$	No.	\$
Peter Malone	2022 Class B ⁽²⁾	50,000,000	902,363	-	-	-	-
Filippo (Phil) Giglia	2022 Class B ⁽²⁾	10,000,000	180,473	-	-	-	-
		60,000,000	1,082,836	-	-	-	-

⁽¹⁾ The value at grant date was calculated in accordance with AASB2 *Share-based payments* of rights granted as part of remuneration. These were valued at fair value determined using Black Scholes option pricing model. No adjustment has been made for the value of rights which lapsed during the year.

⁽²⁾ The 2022 Class B rights were derecognised due to a nil probability that the performance rights below will meet any of the vesting conditions by the milestone dates as described in note 18.2.2d of the financial statements. As a result of this, the 2022 Class B rights related to the current financial year and amounts relating to 2022 Class B performance that are historic (accounted for in prior periods) were derecognised through a contra-expense in share-based payments (see 18.2.2d).

12.4.2. Employee Incentive Plan

The Company has established an Equity Incentive Plan (EIP) to assist in the motivation, retention and reward of senior management and other employees. The EIP is designed to align the interest of senior management and other employees with the interest of Shareholders by providing an opportunity for participants to receive an equity interest in the Company.

The Company is currently assessing the suitability of this plan to achieve the proposed objectives.

12.5. KMP equity holdings

12.5.1. Fully paid ordinary shares of Skin Elements Limited held by each KMP

The number of ordinary shares in the Company held during the financial year by each Director of Skin Elements Limited and any other KMP of the Company, including their personally related parties, are as follows:

2024— Group	Balance at start of year or date of appointment	Received during the year as remuneration	Received during the year on the exercise of options	Other changes during the year ⁽¹⁾	Balance at end of year or date of resignation
Group KMP	No.	No.	No.	No.	No.
Peter Malone	31,743,116	-	-	-	31,743,116
Filippo (Phil) Giglia	5,069,277	-	-	-	5,069,277
Stuart Usher	-	-	-	-	-
Craig Piercy	19,538,565	-	-	(5,285,000)	14,253,565
Leo Fung	17,598,348	-	-	6,733,420	24,331,768
	73,949,306	-	-	1,448,420	75,397,726

⁽¹⁾ Other changes included on-market acquisition or disposals of shares.

12.5.2. Options in Skin Elements Limited held by each KMP

The number of options in the Company, directly, indirectly or beneficially, by each KMP, including their personally-related entities for the year ended 30 June 2024 is as follows:

2024 — Group	Balance at start of year or appointments	Granted as Remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year or resignation	Vested and Exercisable	Not Vested
Group KMP	No.	No.	No.	No.	No.	No.	No.
Peter Malone	5,290,520	-	-	-	5,290,520	5,290,520	-
Filippo (Phil) Giglia	844,880	-	-	-	844,880	844,880	-
Stuart Usher	-	-	-	-	-	-	-
Craig Piercy	3,256,429	-	-	-	3,256,429	3,256,429	-
Leo Fung	4,055,295	-	-	-	4,055,295	4,055,295	-
	13,447,124	-	-	-	13,447,124	13,447,124	-

Directors' report

12. Remuneration report (audited)

12.5.3. Performance Rights of Skin Elements Limited held by each KMP

The number of performance rights in the Company, directly, indirectly or beneficially, by each KMP, including their personally-related entities for the year ended 30 June 2024 is as follows:

2024 – Group	Adjusted ⁽²⁾ Balance at start of year or appointments No.	Granted as Remuneration during the year No.	Converted during the year No.	Other changes during the year No.	Balance at end of year or resignation No.	Vested and convertible No.	Not Vested No.
Group KMP							
Peter Malone ⁽¹⁾	50,000,000	-	-	-	50,000,000	-	50,000,000
Filippo (Phil) Giglia ⁽¹⁾	10,000,000	-	-	-	10,000,000	-	10,000,000
Stuart Usher	-	-	-	-	-	-	-
Craig Piercy	-	-	-	-	-	-	-
Leo Fung	-	-	-	-	-	-	-
	60,000,000	-	-	-	60,000,000	-	60,000,000

⁽¹⁾ The 2022 Class B rights were derecognised due to a nil probability that the performance rights below will meet any of the vesting conditions by the milestone dates as described in note 18.2.2d of the financial statements. As a result of this, the 2022 Class B rights related to the current financial year and amounts relating to 2022 Class B performance that are historic (accounted for in prior periods) were derecognised through a contra-expense in share-based payments (see 18.2.2d).

⁽²⁾ Opening balances were adjusted for 2019 and 2022 Class A performance rights that had lapsed in a prior period, being unable to meet their market-based vesting conditions

12.6. Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights, and shareholdings.

12.7. Other transactions with KMP and or their Related Parties

12.7.1. Other Transactions with Key Management Personnel

Entity	Nature of transactions	KMP	Payable Balance ⁽¹⁾	
			2024 \$	2023 \$
Boston Technology Management Pty Ltd	Service Fees	Peter Malone	360,462	59,737
Colosseum Securities Pty Ltd	Director's fee	Filippo (Phil) Giglia	147,472	37,472
Spitfire Corporate Advisory Pty Ltd	Director's fee	Stuart Usher	74,161	30,161
Geneva Partners Pty Ltd	Company secretary fees	Stuart Usher	24,750	15,081
Boston Technology Management Pty Ltd	Service Fees	Craig Piercy	335,086	179,176
Boston Technology Management Pty Ltd	R&D Consultancy ⁽²⁾	Craig Piercy, Peter Malone	816,199	-
Blackridge Pty Ltd	Service Fees	Leo Fung	221,558	104,428
			1,979,688	426,055

⁽¹⁾ Balances are classified as current on statement of financial position under note 4.4.1 of Trade and other payables.

⁽²⁾ This R&D Costs provided by Boston Technology Management Pty Ltd for R&D project materials, formulations, testing and R&D contractors and consultants. This amount was recognised as an expense in the 2024 financial year

KMP have confirmed they will not call upon balances owed until such time where the Company has the financial capacity to repay the amounts without impacting the Company's ability to continue as a going concern and pay its other liabilities as and when they fall due for payment.

There have been no other transactions in addition to those described in the remuneration report or as detailed in note 15 *Related party transactions*.

12.8. Voting of shareholders at last year's annual general meeting (AGM)

The Company received 99.31% proxy votes and 99.90% poll votes of "yes" votes on its remuneration report for the 2022 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

END OF REMUNERATION REPORT

Directors' report

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001* (Cth).



PETER MALONE

Executive Chairman

Dated this Monday, 30 September 2024





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Perth, WA 6000
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Australia

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF SKIN ELEMENTS LIMITED

As lead auditor of Skin Elements Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Skin Elements Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', is written over a light blue horizontal line.

Glyn O'Brien

Director

BDO Audit Pty Ltd

Perth

30 September 2024

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2024

	Note	2024 \$	2023 \$
<i>Continuing operations</i>			
Revenue	1.1	416,202	194,131
Cost of sales		(54,328)	(99,014)
Gross profit		361,874	95,117
Other income	1.2	1,197,149	1,183,463
Administrative and other costs		(822,228)	(1,946,879)
Research and development costs		(2,487,755)	(1,690,254)
Selling and distribution costs		(74,017)	(143,647)
Operating loss		(1,824,977)	(2,502,200)
Interest and finance costs		(81,851)	(58,252)
Impairment expense	2.5	(254,455)	(8,017,774)
Put option agreement fees expensed	2.1.2	-	(837,942)
Loss before tax	2.1	(2,161,283)	(11,416,168)
Income tax benefit	3.1	-	-
Net loss for the year		(2,161,283)	(11,416,168)
<i>Other comprehensive income, net of income tax</i>		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income attributable to members of the parent entity		(2,161,283)	(11,416,168)
<i>Earnings per share:</i>		¢	¢
Basic and diluted loss per share (cents per share)	17.4	(0.39)	(2.61)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated statement of financial position

as at 30 June 2024

Current assets

Cash and cash equivalents

Trade and other receivables

Inventories

Other current assets

Total current assets*Non-current assets*

Right of use asset - property, plant, and equipment

Intangible assets

Total non-current assets**Total assets***Current liabilities*

Trade and other payables

Borrowings

Total current liabilities**Total liabilities****Net (asset deficiency) / assets***Equity*

Issued capital

Reserves

Accumulated losses

Total equity

Note	2024 \$	2023 \$
4.1	115,071	358,432
4.2	1,258,884	1,710,587
5.1	31,908	83,845
4.3.1	28,680	57,207
	1,434,543	2,210,071
	8,365	14,460
5.2	-	-
	8,365	14,460
	1,442,908	2,224,531
4.4.1	2,344,019	1,063,725
4.5.1	731,727	556,003
	3,075,746	1,619,728
	3,075,746	1,619,728
	(1,632,838)	604,803
6.1.1	24,444,454	24,244,454
6.2	335,827	824,698
	(26,413,119)	(24,464,349)
	(1,632,838)	604,803

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the year ended 30 June 2024

	Note	Contributed equity \$	Accumulated losses \$	Share-based payment reserve \$	Total equity \$
<i>Balance at 1 July 2022</i>		22,871,096	(13,048,181)	229,094	10,052,009
Loss for the year attributable to the owners of the parent		-	(11,416,168)	-	(11,416,168)
Other comprehensive income for the year attributable to the owners of the parent		-	-	-	-
Total comprehensive income for the year attributable to the owners of the parent		-	(11,416,168)	-	(11,416,168)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the year (<i>net of costs</i>)	6.1.1	1,268,355	-	-	1,268,355
Share-based payments during the year	6.1.1	105,003	-	-	105,003
Share-based payments during the year: <i>options</i>	6.3.1	-	-	335,827	335,827
Share-based payments during the year: <i>rights</i>	6.4.1	-	-	259,777	259,777
Balance at 30 June 2023		24,244,454	(24,464,349)	824,698	604,803
<i>Balance at 1 July 2023</i>		24,244,454	(24,464,349)	824,698	604,803
Loss for the year attributable to the owners of the parent		-	(2,161,283)	-	(2,161,283)
Other comprehensive loss for the year attributable to the owners of the parent		-	-	-	-
Total comprehensive loss for the year attributable to the owners of the parent		-	(2,161,283)	-	(2,161,283)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the year (<i>net of costs</i>)	6.1.1	200,000	-	-	200,000
Share-based payments during the year: <i>rights</i>	6.4.1	-	-	(276,358)	(276,358)
Transfers to/(from) reserves	6.4.1		212,513	(212,513)	-
Balance at 30 June 2024		24,444,454	(26,413,119)	335,827	(1,632,838)

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the year ended 30 June 2024

Cash flows from operating activities

Receipts from customers

Payments to suppliers and employees

Receipt of *Research and development tax incentive* grant income

Interest paid and facility fees

Interest received

Net cash used in operating activities*Cash flows from investing activities***Net cash used in investing activities***Cash flows from financing activities*

Proceeds from issue of shares

Share issue costs

Proceeds of borrowings

Repayments of borrowings

Net cash provided by financing activities**Net decrease in cash and cash equivalents held**

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

Note	2024 \$	2023 \$
	403,821	193,326
	(1,734,801)	(2,955,997)
	1,129,934	984,992
	(81,851)	(58,252)
	3,520	-
4.1.2	(279,377)	(1,835,931)
	-	-
	200,000	1,772,102
	(39,708)	(129,837)
4.1.2b	983,413	638,251
4.1.2b	(1,107,689)	(834,203)
	36,016	1,446,313
	(243,361)	(389,618)
	358,432	748,050
4.1	115,071	358,432

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

for the year ended 30 June 2024

In preparing the 2024 financial statements, Skin Elements Limited has grouped notes into sections under five key categories:

 Section A: How the numbers are calculated.....	21
 Section B: Risk.....	38
 Section C: Group structure	42
 Section D: Unrecognised items.....	43
 Section E: Other Information.....	44

Material accounting policies specific to each note are included within that note. Accounting policies that are determined to be non-material are not included in the financial statements.

The financial report is presented in Australian dollars, except where otherwise stated.

Company details

The registered office of the Company is:

Street + Postal: 1242 Hay Street
West Perth WA 6005
Australia



Notes to the consolidated financial statements

for the year ended 30 June 2024

SECTION A. HOW THE NUMBERS ARE CALCULATED

This section provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the entity, including:

- (a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.
- (b) analysis and sub-totals.
- (c) information about estimates and judgements made in relation to particular items.

Note	1	Revenue and other income	Note	2024 \$	2023 \$
1.1		Revenue			
		Sales to customers		416,202	194,131
				416,202	194,131
1.2		Other Income			
		Research and development tax incentive grant income		1,193,629	1,129,934
		Fair value adjustment of fee options	1.2.1	-	53,000
		Interest income		3,520	529
				1,197,149	1,183,463

1.2.1 Fair value remeasurement of options previously granted - Movement in derivative liabilities

In April 2021, the Company entered into a Put Option Agreement (**POA**) with LDA Capital Limited and LDA Capital LLC (together **LDA Capital**) to provide the Company with up to A\$20 million in committed equity capital over 36 months. During the 2023 financial year, the Company issued no Capital Call Notice under the POA to LDA Capital, and upon the expiration of the POA, the final fair value remeasurement of options previously granted was recognised in other income.

1.3 Accounting policies

1.3.1 Revenue from contracts with customers

a. Recognition

The Group generates revenue from the delivery of goods as follows:

-  The Group sells products to external customers using several mediums which include internet sales, employees direct selling, and the use of wholesalers and businesses who purchase the product and are then responsible for their own on selling processes.
-  The internet sales are driven by the Skin Element's website which sets out pricing for the product and delivery. Each wholesaler and business customer order is specific to the client's requirements; however, for each category of customer the performance obligations cease when the Group has delivered the goods to the customers. As at 30 June 2024 the Company did not have any material customer contracts at the reporting date.

b. Revenue from selling goods

Revenue for sale of sun care and skincare products, is recognised when the customers obtain control of the goods. This usually occurs when the goods are delivered. No other products or services are bundled in such contracts. Invoices are usually payable within 30 days and no element of financing is deemed present as the services are charged within standard credit terms which is consistent with industry practice.

1.3.2 Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. The Group received the following government grants:

- a. Research and development tax incentive received or receivable are recognised at fair value where there is a reasonable assurance that the amount will be received and the Group will comply with all attached conditions. The value of the Research and development tax incentive received or receivable income is presented as part of profit or loss as other income.

The Group did not benefit directly from any other forms of government assistance.

1.3.3 Interest income

Interest revenue is recognised in accordance with note 2.6a Finance expenses.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note	2	Expenses	Note	2024 \$	2023 \$
2.1		Expenses by nature			
		Administration expenses	2.2	414,222	462,142
		Advertising and marketing expenses		74,017	143,647
		Amortisation	5.2	6,094	406,174
		Corporate expenses	2.3	181,354	230,753
		Employee benefits expense	2.4	187,415	798,625
		Impairment expense	2.5	254,455	8,017,774
		Occupancy costs		114,994	107,437
		Manufacturing, purchasing, and distribution costs		54,328	99,014
		Put Option Agreement fees expensed	2.1.2	-	837,942
		Research and development expenses		2,487,755	1,690,254
		Total expenses by nature		3,774,634	12,793,762
2.1.1		Reconciliation to net profit or loss before tax			
		Total revenue and other income		1,613,351	1,377,594
		Less: Total expenses by nature		(3,774,634)	(12,793,762)
		Net loss before tax		(2,161,283)	(11,416,168)
2.1.2		Put Option Agreement fees expensed - LDA Capital Agreement			
		In April 2021, as noted in note 1.2.1, the Company entered into a POA with LDA Capital to provide the Company with up to A\$20 million in committed equity capital over 36 months. During the 2023 financial year, the Company fully expensed the remainder of the Put Option Agreement fees.			
			Note	2024 \$	2023 \$
2.2		Administration expenses			
		Accounting expenses		121,143	157,709
		External consulting fees		30,000	81,892
		Travel expenses		234	13,898
		Interest expenses and finance facility costs		81,851	58,252
		Other expenses		180,994	150,391
				414,222	462,142
2.3		Corporate expenses			
		ASX fees		37,705	51,545
		Audit expenses		88,362	71,376
		Legal expenses		32,040	61,444
		Share Registry and shareholder communications		23,247	46,388
				181,354	230,753
2.4		Employee benefits expense			
		Directors' fees		160,000	106,510
		Executive services contracts		239,782	241,749
		Wages and salaries – non-R&D		63,991	190,589
		Share-based performance rights: <i>amortisation</i>	2.4.1	(276,358)	259,777
				187,415	798,625

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 2 Expenses (cont.)

2.4.1 The Company had previously issued performance rights to KMP which would convert into fully paid shares on achieving certain performance hurdles. These performance rights were recorded at fair value which is amortised over the vesting period (up to four years from date of issue). In the current year the Class B rights were derecognised due to a nil probability that the performance rights below will meet any of the vesting conditions by the milestone dates as described in note 18.2.2d.

2.4.2 Accounting policy - Employee benefits

a. Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

b. Other long-term benefits

The Group's obligation in respect of long-term employee benefits other than defined benefit plans, such as long service leave, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the Reserve Bank of Australia's cash rate at the report date that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

c. Retirement benefit obligations: Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

d. Equity-settled compensation

The grant by the Company of options over its equity instruments to contractors or to its employees is measured at the fair value of contractor's services (where the services can be valued) or at the fair value of the equity instruments provided (which includes employee services received) during the period. The measurement date is the grant date and the cost is recognised over the vesting period for the services received by the Company with an increase to the expense (or asset if it directly relates to the development of an asset) with a corresponding increase to equity or reserves. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

2.5 Impairment expense

		2024 \$	2023 \$
🌿 Impairment of intangible assets	5.2.3a	-	7,489,990
🌿 Impairment of trade receivables	4.2.3	254,455	527,784
		254,455	8,017,774

2.6 Other material accounting policies related to items of profit and loss

a. Finance expenses

Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method and include:

- 🌿 interest on the bank overdraft;
- 🌿 interest on short-term and long-term borrowings; and
- 🌿 interest on finance leases.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note	3	Income tax	Note	2024 \$	2023 \$
3.1		Income tax expense			
		Current tax		-	-
		Deferred tax		-	-
				-	-
		<i>Deferred income tax expense included in income tax expense comprises:</i>			
		Increase / (decrease) in deferred tax assets	3.5	-	-
		(Increase) / decrease in deferred tax liabilities		-	-
				-	-
3.2		Reconciliation of income tax expense to prima facie tax payable			
		<i>The prima facie tax payable/(benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:</i>			
		Accounting loss before tax		(2,161,283)	(11,416,168)
		Prima facie tax on operating loss at 25% (2023: 25%)		(540,321)	(2,854,042)
		<i>Add / (Less) tax effect of:</i>			
		Other non-deductible expenses / (non-assessable income)		566,218	2,599,457
		Other temporary differences not recognised		(25,897)	254,585
		Income tax expense/(benefit) attributable to operating loss		-	-
				2024 %	2023 %
3.3		The applicable weighted average effective tax rates attributable to operating profit are as follows:		Nil	Nil
3.3.1		The tax rates used in the above reconciliations is the corporate tax rate of 25% payable by the Australian corporate entity on taxable profits under Australian tax law.			
				2024 \$	2023 \$
3.4		Balance of the parent company franking account at year end		Nil	Nil
3.5		Deferred tax assets			
		Tax losses	3.6	2,003,877	1,852,932
		Intangible assets		1,869,952	1,869,952
				3,873,829	3,722,884
		Net deferred tax assets		3,873,829	3,722,884
		Less deferred tax assets not recognised		(3,873,829)	(3,722,884)
		Net deferred tax assets		-	-
3.6		Tax losses and deductible temporary differences			
		<i>Unused tax losses and deductible temporary differences for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:</i>			
		Tax losses		2,003,877	1,852,932
				2,003,877	1,852,932

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 3 Income tax (cont.)

3.6.1 Potential deferred tax assets attributable to tax losses have not been brought to account at 30 June 2024 because the Directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- i. the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- ii. the Group continues to comply with conditions for deductibility imposed by law; and
- iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss.

Tax balances disclosed in the financial statements and notes, are based on the best estimates of Directors. These estimates consider both the financial performance and position of the Group as they pertain to current income taxation legislation, and the Directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the Directors' best estimate, pending an assessment by tax authorities.

The parent company has accumulated tax losses of \$8,015,508 (2023: \$7,411,728) which may be available for offset against future taxable profits of the parent company in which the losses arose. The recoupment of these losses is subject to assessment of the Australian Taxation Office.

3.7 Accounting policy

The income tax expense or benefit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate in Australia adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in Australia, where the Company's subsidiary and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities (DTLs) are recognised for all taxable temporary differences except:

- when the DTL arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets (DTAs) are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the DTA relating to a deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when a deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a DTA is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of DTAs is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised DTAs are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the DTA to be recovered. DTAs and DTLs are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. DTAs and DTLs are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the DTAs and DTLs relate to the same taxable entity and the same taxation authority.

Where the Group receives the Australian Government's *Research and development tax incentive*, the Group accounts for the refundable tax offset under AASB 112. Funds are received as a rebate through the parent company's income tax return.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 4 Financial assets and financial liabilities

4.1 Cash and cash equivalents

	2024 \$	2023 \$
Cash at bank	115,071	358,432
	115,071	358,432

4.1.1 The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 7 *Financial risk management*.

4.1.2 Cash Flow Information

	2024 \$	2023 \$
a. <i>Reconciliation of cash flow from operations to loss after income tax</i>		
Loss after income tax	(2,161,283)	(11,416,168)
Cash flows excluded from loss attributable to operating activities:	-	-
Non-cash flows in (loss)/profit from ordinary activities:		
○ Depreciation and amortisation	6,094	406,174
○ Share-based payments expensed	(276,358)	259,777
○ Share-settled payment	-	71,376
○ Impairment of assets	254,455	8,017,774
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
○ (Increase) / decrease in receivables and other assets	(73,176)	667,710
○ Decrease in inventories	325,262	70,429
○ Increase in payables	1,630,687	87,287
○ Increase / (decrease) in provisions	14,942	(290)
Cash flow (used in) from operations	(279,377)	(1,835,931)

b. *Reconciliation of liabilities arising from financing activities*

	2022 \$	Cash flows \$	Acquisitions \$	Non-cash changes Foreign Exchange \$	Other Changes ⁽ⁱ⁾ \$	2023 \$
Other payables	300,000	-	-	-	-	300,000
Derivative liabilities	53,000	-	-	-	(53,000)	-
R&D loan facility	734,203	(195,952)	-	-	-	538,251
Total liabilities from financing activities	1,087,203	(195,952)	-	-	(53,000)	838,251

(i) Other changes related to non-cash movements related to the recognition and reduction in derivative liabilities refer to note 4.4.3.

	2023 \$	Cash flows \$	Acquisitions \$	Non-cash changes Foreign Exchange \$	Other Changes \$	2024 \$
Other payables	300,000	(300,000)	-	-	-	-
R&D loan facility	538,251	175,727	-	-	2,802	716,780
Total liabilities from financing activities	838,251	(124,273)	-	-	2,802	716,780

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 4 Financial assets and financial liabilities (cont.)

4.1 Cash and cash equivalents (cont.)

c. Credit and loan standby arrangement with banks

The Group has no credit standby facilities.

d. Non-cash investing and financing activities

2024

None

2023

26.10.22 1,691,556 shares issued at \$0.0257 per share for LDA fees (note 18.2.2c), and 1,216,075 shares issued at \$0.06 per share for corporate communication services (note 18.2.2a).

30.06.23 6,152,981 shares issued at \$0.010 per share for underwriting fees (note 18.2.2a).

4.1.3 Accounting policy

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

4.2 Trade and other receivables

Note

2024

2023

\$

\$

4.2.1 Current

Trade receivables

31,662

1,074,847

Less: Loss allowance

4.2.3

-

(527,784)

Research and development tax incentive rebate receivable

4.2.4

1,193,629

1,129,934

Other receivables

33,593

33,590

1,258,884

1,710,587

4.2.2 The Group's exposure to credit rate risk is disclosed in note 7 *Financial risk management*.

4.2.3 In the previous year the Company had received an order from Pacific Health for SuprCuvr totalling \$1,055,568 which was produced and delivered into secured warehouse. Subsequently, due to the rapidly evolving market at that time and the launch of the newly developed SuprCuvr disinfectant range, the Company has revised the terms of the order with Pacific Health, including extended payment terms. Due to the uncertainty of the timing of payments under these new terms, as at 31 December 2023, the Company has agreed to the settlement of the debtor's balance through the repurchase of the SuprCuvr inventory. The Company will continue to work with Pacific Health for the launch of SuprCuvr disinfectant into scale markets and will recognise sales revenue as product is delivered.

4.2.4 The Group continued its development program during the year ended 30 June 2024 resulting in a claim for research and development tax incentive which has been included as a receivable at year end.

4.2.5 Accounting policy

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from prepaid or cash on delivery to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms (see also note 4.6.1).

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 4 Financial assets and financial liabilities (cont.)

4.3 Other assets

4.3.1 Current

Prepayments – Raw materials

2024	2023
\$	\$
28,680	57,207
28,680	57,207

4.4 Trade and other payables

Note

4.4.1 Current

Unsecured

Trade payables

Key management personnel related

Sundry payables and accrued expenses

Net Goods and Services Tax (receivable) / payable

Commitment Fee payable

2024	2023
\$	\$
307,988	233,664
1,979,688	428,925
83,051	102,218
(26,708)	(1,082)
-	300,000
2,344,019	1,063,725

4.4.2 Trade payables are non-interest bearing and usually settled within the lower of terms of trade or 60 days.

4.4.3 Movement in other payables

In April 2021, as noted in note 1.2.1, the Company entered into a POA with LDA Capital to provide the Company with up to A\$20 million in committed equity capital over 36 months. Under this agreement the Company recognised a \$300,000 commitment fee payable. This was fully settled in cash during the current financial year.

4.4.4 The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 7.

4.4.5 Accounting policy

a. Trade and other payables

Trade other payables are recognised initially at fair value and subsequently at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Amounts are unsecured, non-interest bearing, and usually settled within the lower of terms of trade or 60 days.

4.5 Borrowings

Note

4.5.1 Current

R&D Rebate Advance Facility

Leases – motor vehicle

2024	2023
\$	\$
716,780	538,251
14,947	17,752
731,727	556,003

4.5.2 During the year, the Group received advance funding (wholly or predominantly for working capital or research and development expenditures) on its expected annual R&D rebate from Radium Capital. Refer key terms below:

Amounts For 30 June 2024: 09/23: \$229,000; 12/23: \$238,000; 3/24: \$112,200; 5/24: \$137,580.

Final Maturity Date 30 November 2024.

Repayment Skin Elements has the option to repay earlier without penalties.

Interest Rate 14% - 15% per annum, with default rate of 18% if repayment is later than 30 November 2024.

Security Secured against the R&D refund receivable from the ATO

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 4 Financial assets and financial liabilities (cont.)

4.5 Borrowings (cont.)

4.5.3 Accounting policy

a. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.6 Other material accounting policies related to financial assets and liabilities

4.6.1 Investments and other financial assets

a. Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

b. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

c. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 4 Financial assets and financial liabilities (cont.)

4.6 Other material accounting policies related to financial assets and liabilities (cont.)

i. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

 **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

 **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

 **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

ii. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

d. Impairment

The Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Note 5 Non-financial assets and financial liabilities

5.1 Inventories

Finished goods

2024	2023
\$	\$
31,908	83,845
31,908	83,845

5.1.1 Accounting policy

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated based on normal operating capacity. Costs are assigned to individual items of inventory based on weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale inventories are valued at the lower of cost and net realisable value.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 5 Non-financial assets and financial liabilities (cont.)

5.2 Intangible assets

	2024 \$	2023 \$
<i>SE Formula™</i>	9,859,296	9,859,296
Accumulated amortisation	(2,379,486)	(2,379,486)
Accumulated impairment	(7,479,810)	(7,479,810)
	-	-
Website development costs	55,410	55,410
Accumulated amortisation	(45,230)	(45,230)
Accumulated impairment	(10,180)	(10,180)
	-	-
Total intangibles	-	-

5.2.1 Movements in Carrying Amounts

	Note	Skin Elements formula and technology \$	Website development costs \$	Total \$
Carrying amount at 1 July 2022		7,868,814	21,256	7,890,070
Impairment	5.2.3a	(7,479,810)	(10,180)	(7,489,990)
Amortisation expense		(389,004)	(11,076)	(400,080)
Carrying amount at 30 June 2023		-	-	-
Carrying amount at 1 July 2023		-	-	-
Amortisation expense		-	-	-
Carrying amount at 30 June 2024		-	-	-

5.2.2 Accounting policies

a. Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

i. Formula and technology

Separately acquired formula and technology are shown at historical cost. *Skin Elements* formula and technology (hereafter **SE Formula™**), comprises the following, which utilise the same propriety formula in their ingredients:

-  Soléo Organics formula and technology;
-  PapayaActives Skincare formula and technology;
-  Elizabeth Jane Natural Cosmetics formula and technology;
-  Invisi® Shield SuprCuvr Disinfectant

Formula and technology acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

ii. Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Costs that are directly attributable to the improvement of identifiable and unique software products controlled by the Group are recognised as intangible assets when the Company meets to capitalisation criteria to recognise the asset list in development costs above.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 5 Non-financial assets and financial liabilities (cont.)

5.2 Intangible assets (cont.)

b. Capitalising development costs of formula and technology and software

Development costs of *formula and technology* and *software* which meet the criteria below are capitalised to the asset to which they relate in the year the costs were incurred. Research expenditure and development expenditure that do not meet the criteria are recognised as an expense as incurred.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

-  the technical feasibility of completing the intangible asset so that it will be available for use or sale;
-  the intention to complete the intangible asset and use or sell it;
-  the ability to use or sell the intangible asset;
-  how the intangible asset will generate probable future economic benefits;
-  the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
-  the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation on and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Expenditures in relation to the development of identifiable and unique products, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and amortised over their estimated useful lives. Any expenditure related to research is expensed as incurred.

c. Intangible assets acquired in a business combination

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

d. Subsequent measurement

The Company commences amortisation where the development process is at a stage where the products can be produced in commercial quantities. The Company has assessed that the *SE Formula™* is at a stage where they meet this test. The Company has assessed the effective life for these assets to be 25 years and amortised the asset carrying values on a straight-line basis for the period. The Company has a policy to regularly review the effective life of each asset. The following useful lives are used in the calculation of amortisation:

	2024 Years	2023 Years
 <i>SE Formula™</i>	25	25
 Website development costs	5	5

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 5 Non-financial assets and financial liabilities (cont.)

5.2 Intangible assets (cont.)

5.2.3 Key estimates

a. Impairment

The Group assesses the impairment of intangible assets at each reporting date by evaluating conditions specific to the intangible asset that may lead to impairment of the assets recoverable amount in accordance with AASB 136. The assessment of impairment is based on the best estimate of future cash flows available at the time of preparing the report. However, facts and circumstances may come to light in later periods which may change this assessment if these facts had been known at the time.

In undertaking its impairment assessment for the current period, the Group has identified impairment indicators of:

- 🌱 lower-than-expected operating performance; and
- 🌱 decline of market capital below net assets at reporting date, for the intellectual property assets.

As a result, the Group performed an impairment test which resulted in an impairment of \$7,489,990 for the period and the recoverable value of the intangible for the current year was assessed as \$nil. This is based on its value-in-use discounted cash flow model due to limited history of sales and contracted sales to support positive cash inflows during the forecast period (i.e., 5 years) which cannot be reliably estimated. The Group has also determined that the recoverable value based on fair value less cost to sell cannot be determined at this point based on the same assumption.

The significant uncertainty on achieving sales and profit may be resolved at the point when the proposed commercialisation of the IP becomes successful and positive cash inflows can be supported by contracted sales. This may result in the reversal of impairment in the future.

b. Amortisation rates

The Group has assessed the effective life of its *SE Formula™* intangible asset (comprising *Soléo Organics* formula and technology; *McArthur Skincare* formula and technology; *Elizabeth Jane Natural Cosmetics* formula and technology; and *Invisi® Shield* Hand Sanitiser) taking into account sector practices, the expected product life cycle and its own internal knowledge of the underlying markets to determine an appropriate amortisation rate. This rate is an estimate of what the Group anticipates the intangible will be able to generate future benefits from the commercialisation formula and technology and this may differ from the future results. The Directors will continue to assess the effective life at each reporting date

5.3 Other Significant Accounting Policies related to Non-Financial Assets and Liabilities

5.3.1 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy at note 3.7) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value-in-use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 5 Non-financial assets and financial liabilities (cont.)

5.3 Other Significant Accounting Policies related to Non-Financial Assets and Liabilities (cont.)

5.3.2 Leases

a. Recognition and measurement

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. The Company has identified one contract that would be classified as leases under the new standard being the lease of office premises. Due to the short term and low value nature of this lease, the Company will apply the exemption and elected to recognise the lease payments in profit and loss on a straight-line basis instead of applying the recognition and measurement requirements in AASB 16. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

i. Right of Use Asset

The Group recognises a right of use asset at the commencement date of the lease. The right of use asset is initially measured at cost. The cost of right of use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, plus initial direct costs incurred and an estimate of costs to dismantle, remove or restore the leased asset, less any lease incentives received.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Subsequent to initial measurement, the right of use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life.

Right of use assets are subject to impairment and are adjusted for any remeasurement of lease liabilities.

ii. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payment to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the assessment of lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payments occurs. The present value of lease payments is discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The amount of lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recognised in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 6 Equity

6.1	Issued capital	Note	2024 No.	2023 No.	2024 \$	2023 \$
	Fully paid ordinary shares		563,986,095	543,986,095	24,444,454	24,244,454
6.1.1	Ordinary shares		2024 No.	2023 No.	2024 \$	2023 \$
	At the beginning of the year		543,986,095	407,727,266	24,244,454	22,871,096
	Shares issued during the year:					
	26.10.22 Consultancy fees	18.2.2c	-	1,216,075	-	71,376
	26.10.22 LDA fees	18.2.2a	-	1,691,556	-	43,473
	04.11.22 Placement		-	30,000,000	-	750,000
	31.05.23 Entitlement issue		-	93,226,979	-	932,270
	20.06.23 Shortfall placement		-	3,971,238	-	39,712
	30.06.23 Underwriting fee	18.2.2a	-	6,152,981	-	61,530
	Unplaced applications		-	-	-	26,120
	01.11.23 Placement		20,000,000	-	200,000	-
	Share issue transaction costs		-	-	-	(551,123)
	At end of the year		563,986,095	543,986,095	24,444,454	24,244,454

- a. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

6.1.2	Treasury shares	Note	2024 No.	2023 No.
	At beginning of the year		25,500,000	25,500,000
	At end of the year		25,500,000	25,500,000

- a. Treasury shares are ordinary shares issued as collateral shares for nil consideration.

6.1.3 Accounting policy

Issued and paid-up capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

6.2	Reserves		2024 \$	2023 \$
6.2.1	Summary of share-based payment reserve			
	Options	6.3	335,827	335,827
	Performance rights	6.4	-	488,871
			335,827	824,698

6.2.2 Share-based payment reserve

The share-based payment reserve records the value of options and performance rights issued by the Company to its employees or consultants.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note	6	Equity (cont.)				
6.3	Options	Note	2024 No.	2023 No.	2024 \$	2023 \$
	Options on issue		191,351,198	197,351,198	335,827	335,827
6.3.1	Options movement during the year:		2024 No.	2023 No.	2024 \$	2023 \$
	At the beginning of the year		197,351,198	26,000,000	335,827	-
	🌱 04.11.22 Issued free attaching to Placement shares		-	30,000,000	-	-
	🌱 17.02.23 Lead manager fee	6.3.2a	-	28,000,000	-	277,827
	🌱 31.05.23 Free attaching to Entitlement shares		-	93,226,979	-	-
	🌱 20.06.23 Free attaching to Shortfall shares		-	3,971,238	-	-
	🌱 30.06.23 Free attaching to underwriter fee shares	18.2.2a	-	6,152,981	-	-
	🌱 30.06.23 Lead manager fee	6.3.2b	-	10,000,000	-	58,000
	🌱 01.11.23 Free attaching to Placement shares		20,000,000	-	-	-
	🌱 15.03.24 Expiration of LDA options		(26,000,000)	-	-	-
	At end of the year		191,351,198	197,351,198	335,827	335,827
	Comprising the following options:					
	🌱 Unlisted					
	○ \$0.12 options exp. 15.03.24		-	10,000,000		
	○ \$0.15 options exp. 15.03.24		-	10,000,000		
	○ \$0.18 options exp. 15.03.24		-	4,000,000		
	○ \$0.22 options exp. 15.03.24		-	2,000,000		
	○ \$0.05 options exp. 31.10.25		58,000,000	58,000,000		
	🌱 Listed					
	○ \$0.025 options exp. 31.05.26		133,351,198	113,351,198		
			191,351,198	197,351,198		

6.3.2 Options issued as transaction costs, subsequent to 31 December 2022

- a. In connection with a placement, lead manager (EverBlu Capital Pty Ltd), received a 6% fee of total funds raised as well as 28,000,000 options, valued at \$277,827, granted on the following terms:

Number under Option	Date of Expiry	Consideration	Exercise Price	Vesting Terms
28,000,000	31.10.2025	Nil	\$0.050	Vest immediately

- b. In connection with a placement, lead manager (708 Capital Pty Ltd) received a 6% fee of total funds raised as well as 10,000,000 options, valued at \$58,000, granted on the following terms:

Number under Option	Date of Expiry	Consideration	Exercise Price	Vesting Terms
10,000,000	27.06.2025	Nil	\$0.025	Vest immediately

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 6 Equity (cont.)**6.4 Performance rights**

		2024 No.	2023 No.	2024 \$	2023 \$
	Performance rights	62,000,000	209,000,000	-	488,871
6.4.1	<i>Performance rights movement during the year:</i>	2024 No.	2023 No.	2024 \$	2023 \$
	At the beginning of the year	209,000,000	209,000,000	488,871	229,094
	Amortisation of rights 18.2.2	-	-	235,226	437,794
	Derecognition of rights not achieved (in profit and loss) 18.2.2	-	-	(511,584)	(178,017)
	Historically lapsed rights transferred within equity	(147,000,000)		(212,513)	-
	At end of the year	62,000,000	209,000,000	-	488,871

Notes to the consolidated financial statements

for the year ended 30 June 2024

SECTION B. RISK

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

Note 7 Financial risk management

This note presents information about the Group's exposure to each of the above risks, its objectives, policies, and procedures for measuring and managing risk, and the management of capital.

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts payable and receivable, borrowings (including convertible instruments), and leases. The Group does not speculate in the trading of financial instruments or derivative instruments.

A summary of the Group's financial assets and liabilities, measured in accordance with AASB 9 *Financial Instruments* as detailed in the accounting policies, is shown below:

	Floating Interest Rate \$	Fixed Interest Rate \$	Non- interest Bearing \$	2024 Total \$	Floating Interest Rate \$	Fixed Interest Rate \$	Non- interest Bearing \$	2023 Total \$
<i>Financial Assets</i>								
Cash and cash equivalents	115,071	-	-	115,071	358,432	-	-	358,432
Trade and other receivables	-	-	1,258,884	1,258,884	-	-	1,710,587	1,710,587
Total Financial Assets	115,071	-	1,258,884	1,373,955	358,432	-	1,710,587	2,069,019
<i>Financial Liabilities</i>								
Trade and other payables	-	-	2,344,019	2,344,019	-	-	1,063,725	1,063,725
Borrowings	-	716,780	14,947	731,727	-	-	(160,777)	(160,777)
Total Financial Liabilities	-	716,780	2,358,966	3,075,746	-	-	902,948	902,948
Net Financial Assets / (Liabilities)	115,071	(716,780)	(1,100,082)	(1,701,791)	358,432	-	807,639	1,166,071

7.1 Financial Risk Management Policies

The Boards overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis. These include the credit risk policies and future cash flow requirements. Senior executives meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts. The overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance.

7.2 Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate and equity price risk.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring, and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations, and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

7.2.1 Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. The Group's exposure to credit risk is primarily in relation to its cash at bank, short-term deposits, and receivables. The Group does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 7 Financial risk management (cont.)

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's objective in managing credit risk is to minimise the credit losses incurred, mainly on trade and other receivables. Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal sales income are generally ranging from prepaid and payment on delivery to 60 days from the day of invoice. For sales with longer settlements, terms are specified in the individual client contracts.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

 Credit risk exposures

The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with reputable financial institutions residing in Australia, wherever possible. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

 Impairment losses

Impairment losses are recorded against receivables unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. The ageing of the Group's trade and other receivables at reporting date was as follows:

	Gross 2024 \$	Impaired 2024 \$	Net 2024 \$	Past due but not impaired 2024 \$
<i>Trade receivables</i>				
Not past due to 30 days	3,793	-	3,793	-
Past due 31 days to 90 days	5,680	-	5,680	5,680
Past due greater than 90 days	22,189	-	22,189	22,189
	31,662	-	31,662	27,869
<i>Other receivables</i>				
Not past due	1,227,222	-	1,227,222	-
Total	1,258,884	-	1,258,884	27,869

7.2.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management requirements. The Group manages liquidity risk by:

-  preparing forward looking cash flow analysis in relation to its operating, investing, and financing activities;
-  maintaining a reputable credit profile;
-  managing credit risk related to financial assets;
-  only investing surplus cash with major financial institutions; and
-  comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 7 Financial risk management (cont.)

Typically, the Group ensures that it has sufficient cash to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The financial liabilities of the Group include trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 60 days of the reporting date.

 Contractual Maturities

The following are the contractual maturities of financial assets and liabilities of the Group:

	Within 1 Year		Greater Than 1 Year		Total	
	2024	2023	2024	2023	2024	2023
	\$	\$	\$	\$	\$	\$
<i>Financial liabilities due for payment</i>						
Trade and other payables	2,344,019	1,063,725	-	-	2,344,019	1,063,725
Borrowings	731,727	556,003	-	-	731,727	556,003
Total contractual outflows	3,075,746	1,619,728	-	-	3,075,746	1,619,728
<i>Financial assets</i>						
Cash and cash equivalents	115,071	358,432	-	-	115,071	358,432
Trade and other receivables	1,258,884	1,710,587	-	-	1,258,884	1,710,587
Total anticipated inflows	1,373,955	2,069,019	-	-	1,373,955	2,069,019
Net inflow / (outflow) on financial instruments	(1,701,791)	449,291	-	-	(1,701,791)	449,291

Cash flows realised from financial instruments reflect management's expectation as to the timing of realisation timing may therefore differ from that disclosed. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

7.2.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities minimally expose it to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates. The Group does not enter into derivative financial instruments including foreign exchange forward contracts to hedge against financial risk. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

a. Interest rate risk

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Group's exposures to interest rate in financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

b. Foreign exchange risk

The Group is not exposed to any material foreign exchange risk.

c. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group does not presently hold material amounts subject to price risk. As such the Board considers price risk as a low risk to the Group.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 7 Financial risk management (cont.)

7.2.4 Sensitivity Analyses

The Group is not subject to material market risk sensitivities.

7.2.5 Net Fair Values

a. Fair value estimation

The fair values of financial assets and financial liabilities are presented in the table in note 7 and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as the carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

Financial instruments whose carrying value is equivalent to fair value due to their nature include:

- Cash and cash equivalents;
- Trade and other receivables;
- Trade and other payables; and
- Derivative liabilities (recognised at fair value).

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

Note 8 Capital Management

8.1 Capital

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Groups objectives when managing capital are to:

- a. Safeguard their ability to continuing as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- b. Maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt (loans and convertible instruments), cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings. Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

8.2 Working Capital

The working capital position of the Group was as follows:

	Note	2024 \$	2023 \$
Cash and cash equivalents	4.1	115,071	358,432
Trade and other receivables	4.2	1,258,884	1,710,587
Inventories	5.1	31,908	83,845
Other current assets (excluding prepayments)	4.3	-	-
Trade and other payables and current derivative liabilities	4.4	(2,344,019)	(1,063,725)
Borrowings	4.5	(731,727)	(556,003)
Working capital position		(1,669,883)	533,136

Notes to the consolidated financial statements

for the year ended 30 June 2024

SECTION C. GROUP STRUCTURE

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:

- (a) changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation
- (b) transactions with non-controlling interests, and
- (c) interests in joint operations.

A list of significant subsidiaries is provided in note 9.

Note 9 Interest in subsidiaries

The subsidiaries listed below have ordinary shares which are held directly by the Group and the proportion of ownership interest held equals the voting rights held by the Group. Investments in subsidiaries are accounted for at cost.

Entity name	Class of Shares	Percentage owned		Country of incorporation
		2024	2023	
 SE Operations Pty Ltd	Ord.	100	100	Australia

Note 10 Other Significant Accounting Policies Related to Group Structure**10.1 Basis of consolidation**

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

10.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed, when necessary, to align them with the policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non-controlling interests. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of controlled entities is contained in note 9 *Interest in subsidiaries* of the financial statements.

10.3 Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interests are measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

10.4 Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 30 June 2024

SECTION D. UNRECOGNISED ITEMS

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

In addition to the items and transactions disclosed below, there are also unrecognised tax amounts – see note 3 Income tax.

Note 11 Commitments

11.1 Capital commitments

The Group does not have any capital commitments (2023: \$nil).

Note 12 Events subsequent to reporting date

12.1 Receipt of R&D Rebate Advance Facility

In September 2024, the Company received a Research and development tax incentive rebate of \$1,193,629.

There have been no other matters or circumstances that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Note 13 Contingent liabilities

There are no contingent liabilities as at 30 June 2024 (30 June 2023: Nil).



Notes to the consolidated financial statements

for the year ended 30 June 2024

SECTION E. OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Note 14 Key Management Personnel compensation (KMP)

The names and positions of KMP are as follows:

Directors

- Peter Malone Executive Chairman
- Filippo (Phil) Giglia Independent Non-Executive Director
- Stuart Usher Independent Non-Executive Director

Other key management

- Leo Fung Chief Technical Advisor
- Craig Piercy Chief Financial Officer

Former KMP included in comparative information

- Lee Christensen Independent Non-Executive Director (Appointed 31 August 2021, Resigned 17 January 2023)

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by the *Corporations Regulations* 2M.3.03 is provided in the *Remuneration report* table on page 11.

		2024 \$	2023 \$
Short-term employee benefits		793,782	1,274,349
Share-based payments	18.2.2d	(267,444)	299,582
Total		526,338	1,573,931

Note 15 Related party transactions

The Group may enter into agreements for services rendered with individuals (or an entity that is associated with the individuals) during the ordinary course of business.

A number of entities associated with the Directors and select technical staff have consulting agreements in place which have resulted in transactions between the Group and those entities during the year.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Contained within trade and other payables are the follows balances payable to related parties:

Entity	Nature of transactions	KMP	Payable Balance	
			2024 \$	2023 \$
Boston Technology Management Pty Ltd	Service Fees	Peter Malone	360,462	59,737
Colosseum Securities Pty Ltd	Director's fee	Filippo (Phil) Giglia	147,472	37,472
Spitfire Corporate Advisory Pty Ltd	Director's fee	Stuart Usher	74,161	30,161
Geneva Partners Pty Ltd	Company secretary fees	Stuart Usher	24,750	15,081
Boston Technology Management Pty Ltd	Service Fees	Craig Piercy	335,086	179,176
Boston Technology Management Pty Ltd	R&D Costs (see a. below)	Craig Piercy, Peter Malone	816,199	-
Blackridge Pty Ltd	Service Fees	Leo Fung	221,558	104,428
Total			1,979,688	426,055

- a. This R&D Costs is provided by Boston Technology Management Pty Ltd for R&D project materials, formulations, testing, and R&D contractors and consultants. This amount was recognised as an expense in the 2024 financial year.
- b. KMP have confirmed they will not call upon balances owed until such time where the Company able to do so.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note	16 Auditor's remuneration	2024 \$	2023 \$
	Remuneration of the auditor, BDO Audit Pty Ltd, for:		
	 Assurance services:		
	○ Auditing or reviewing the financial reports	83,747	71,386
	 Non-Assurance Services:		
	○ Other – Research and development tax incentive	38,628	30,385
		122,375	101,771

- 16.1** The BDO entity performing the audit of the entity transitioned from BDO Audit (WA) Pty Ltd during the 2024 financial year. The disclosure include amount received or due and receivable by BDO Audit (WA) Pty Ltd, BDO Audit Pty Ltd and their respective related entities.

Note	17 Earnings per share (EPS)	Note	2024 \$	2023 \$
17.1	Reconciliation of loss to profit or loss			
	Loss for the year		(2,161,283)	(11,416,168)
	Loss used in the calculation of basic and diluted EPS		(2,161,283)	(11,416,168)
			2024 No.	2023 No.
17.2	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		557,264,784	437,027,832
	Weighted average number of dilutive equity instruments outstanding	17.5	N/A	N/A
17.3	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		557,264,784	437,027,832
17.4	Earnings per share		2024 ¢	2023 ¢
	Basic EPS (cents per share)	17.5	(0.39)	(2.61)
	Diluted EPS (cents per share)	17.5	N/A	N/A

- 17.5** As at 30 June 2024 the Group has 191,351,198 unissued shares under options (2023: 197,351,198) and 62,000,000 performance shares on issue (2023: 209,000,000). The Group does not report diluted earnings per share on losses generated by the Group. During the year, the Group's unissued shares under option and performance shares were anti-dilutive.

17.6 Accounting policy

Basic EPS is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to the Group, adjusted for costs of servicing equity (other than dividends) and preference share dividends; the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note	18	Share-based payments	Note	2024 \$	2023 \$
18.1	Share-based payments:				
		Net recognised in profit and loss or (derecognised) as a contra expense	18.2.2	(276,358)	259,777
		Recognised in equity (transaction costs):			
		<i>Shares</i>	18.2.2a	-	105,003
		<i>Options</i>	18.2.2b	-	335,827
		Recognised in net assets (payables)	18.2.2c	-	71,376
		Gross share-based payments		(276,358)	771,983

18.2 Share-based payment arrangements in effect during the year**18.2.1 Issued during the current year**

The were no new issues of share-based payments during the 2024 year.

18.2.2 Issued in prior period, remaining in effect**a. Shares issued as transaction costs**

- i. 26 October 2022: 1,691,556 ordinary shares issued at \$0.0257 per share for LDA fees.
- ii. 30 June 2023: 6,152,981 ordinary shares issued at \$0.010 per share for underwriting fees.

b. Options issued as transaction costs

- i. In connection with a placement, lead manager (EverBlu Capital Pty Ltd), received a 6% fee of total funds raised as well as 28,000,000 options, granted on the following terms:

Number under Option	Date of Expiry	Consideration	Exercise Price	Vesting Terms
28,000,000	31.10.2025	Nil	\$0.050	Vest immediately

The total value of the options was \$277,827.

- ii. In connection with a placement, lead manager (708 Capital Pty Ltd) received a 6% fee of total funds raised as well as 10,000,000 options, granted on the following terms:

Number under Option	Date of Expiry	Consideration	Exercise Price	Vesting Terms
10,000,000	27.06.2025	Nil	\$0.025	Vest immediately

The total value of the options was \$58,000.

c. Shares issued to settle payables

- i. 26 October 2022: 1,216,075 ordinary shares issued at \$0.06 per share for corporate communication services.

d. Director and Consultants Performance Rights (2022)

At the Company's AGM held on 26 April 2022, shareholder approval was obtained to issue performance rights that will convert into shares pursuant to the Equity Incentive Plan.

These performance rights are issued to Peter Malone, Executive Chairman, Filippo (Phil) Giglia and Lee Christensen, non-executive directors, and key management Craig Piercy and Leo Fung and have been valued and issued on terms as detailed below.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 18 Share-based payments (cont.)**18.2 Share-based payment arrangements in effect during the year (cont.)****18.2.2 Issued in prior period, remaining in effect (cont.)**

Class of Performance Right	Tranches of Performance Right	Performance Condition	Performance rights					Milestone Date	Expiry Date	Performance Condition Satisfied
			Peter Malone	Filippo (Phil) Giglia	No. Lee Christensen	Craig Piercy	Leo Fung			
B	1	The Company receiving revenue from product sales of \$25,000,000 after 1.01.22	12,500,000	2,500,000	500,000	-	-	31.12.27	3 years from vesting date	No
B	2	The Company receiving revenue from product sales of \$50,000,000 after 1.01.22	12,500,000	2,500,000	500,000	-	-	31.12.27	3 years from vesting date	No
B	3	The Company receiving revenue from product sales of \$75,000,000 after 1.01.22	12,500,000	2,500,000	500,000	-	-	31.12.27	3 years from vesting date	No
B	4	The Company receiving revenue from product sales of \$100,000,000 after 1.01.22	12,500,000	2,500,000	500,000	-	-	31.12.27	3 years from vesting date	No

The Company determined that there is a nil probability that the performance rights above will meet any of the vesting conditions by the milestone dates, and therefore have no value and will not achieve their proposed objectives. The Company therefore derecognised the accounting treatment from previous periods. The total amount of the expense in 2024 of \$253,226 was derecognised as a contra-expense, and allocated as follows: Peter Malone – \$189,698, Filippo Giglia – \$37,940, and a former director \$7,588.

An amount of \$276,358 relating to 2022 Class B performance rights that are historic and accounted for in prior periods was also derecognised through a contra-expense in share-based payments, and allocated as follows: Peter Malone – \$228,870, Filippo Giglia – \$44,574, and a former director \$8,915.

18.3 Movement in Company options share-based payment arrangements during the period

A summary of the movements of all Company options issued as share-based payments is as follows:

	2024		2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	38,000,000	\$0.043	-	-
Granted	-	-	38,000,000	\$0.043
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	38,000,000	\$0.043	38,000,000	\$0.043
Exercisable at year-end	38,000,000	\$0.043	38,000,000	\$0.043
<i>Reconciliation to total Company options</i>				
Non share-based payment options outstanding at the beginning of the year	26,000,000		26,000,000	
Options issued to shareholders	133,351,198		-	
Total Company options on issue	197,351,198		64,000,000	

- The weighted average remaining contractual life of options outstanding at year end was 1.25 years (2023: 2.25 years).
- The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

18.4 Fair value of options granted in prior period, remaining in effect

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 18 Share-based payments (cont.)

18.5 Accounting policy

The Group may provide benefits to employees (including directors) and consultants of the Group in the form of share-based payment transactions, whereby services are rendered in exchange for shares or rights over shares (**equity-settled transactions**).

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period;
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied

during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification

18.6 Key estimate

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instrument at the date at which they are granted. The fair value of options granted is measured using the Black-Scholes option pricing model. The model uses assumptions and estimates as inputs.

Note 19 Operating segments

19.1 Identification of reportable segments

The Group operates predominantly in the Biotechnology industry as a researcher and developer of the innovative proprietary SE Formula™ biotechnology.

The Group has identified its operating segments based on the internal reports that are provided to the Board of Directors on a monthly basis and in determining the allocation of resources. Management has identified it has only one material operating segments based activity based on the current and comparative year activity.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 20 Parent entity disclosures

Skin Elements Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Skin Elements Limited did not enter into any trading transactions with any related party during the year.

20.1 Financial Position of Skin Elements Limited

	2024 \$	2023 \$
Current assets	147,004	468,230
Non-current assets	-	-
Total assets	147,004	468,230
Current liabilities	1,352,168	1,257,109
Non-current liabilities	-	-
Total liabilities	1,352,168	1,257,109
Net liabilities	(1,205,164)	(788,879)
<i>Equity</i>		
Issued capital	26,179,124	24,244,454
Reserve	675,488	824,698
Accumulated losses	(28,059,776)	(25,858,031)
Total equity	(1,205,164)	(788,879)

20.2 Financial performance of Skin Elements Limited

	2024 \$	2023 \$
Loss for the year	(156,640)	(3,709,596)
Other comprehensive loss	-	-
Total comprehensive loss	(156,640)	(3,709,596)

20.3 Guarantees

There are no guarantees entered into by Skin Elements Limited for the debts of its subsidiary as at 30 June 2024 (2023: none).

20.4 Contractual commitments

The parent company has no capital commitments as at 30 June 2024 (2023: \$nil), as disclosed in note 11.1.

20.5 Contingent liabilities

There are no contingent liabilities as 30 June 2024 (2023: none).

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 21 Statement of material accounting policies

This note provides a list of the material accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated.

21.1 Basis of preparation

21.1.1 Reporting Entity

Skin Elements Limited (**Skin Elements or the Company**) is a listed public company limited by shares, domiciled, and incorporated in Australia. These are the consolidated financial statements and notes of Skin Elements and controlled entities (collectively **the Group**). The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. The Group is a for-profit entity and is primarily involved in businesses which deliver accredited and non-accredited vocational education and training solutions throughout Australia and internationally.

The separate financial statements of Skin Elements, as the parent entity, have not been presented with this financial report as permitted by the *Corporations Act 2001* (Cth).

21.1.2 Basis of accounting

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (**AAS Board**) and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**), and the *Corporations Act 2001* (Cth).

Australian Accounting Standards (**AASBs**) set out accounting policies that the AAS Board has concluded would result in a financial report containing relevant and reliable information about transactions, events, and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

The financial statements were authorised for issue on 30 September 2024 the Directors of the Company.

21.1.3 Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the year of \$2,161,283 (2023: \$11,416,168 loss) and a net cash out-flow from operating activities of \$279,377 (2023: \$1,835,931 out-flow). As at 30 June 2024, the Group a working capital deficit of \$1,669,883 (2023: \$533,136 working capital), as disclosed in note 8 of the *Capital Management* note.

The ability of the Group to continue as a going concern is dependent on the Group securing additional debt and/or equity funding and/or generating profits from its normal course of business.

These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors are confident that there will be sufficient funds for the Group to meet its obligations and liabilities and believe it is appropriate to prepare these accounts on a going concern basis for the following reasons.

-  Skin Elements is eligible for R&D Rebate tax incentive grant and has received \$1.13 million during the period in relation to eligible FY2023 R&D expenditure and accrued \$1.19 million as at 30 June 2024 in relation to eligible R&D expenditure for FY2024.
-  Received \$796K under a R&D advance facility with Radium Capital.
-  The Board intends, subject to shareholder approval, to issue equity securities in satisfaction of amounts owed to Directors and Key Management of approximately \$500K.
-  The Directors' have confirmed they will not call upon balances owed until such time where the Company has the financial capacity to repay the amounts without impacting the Company's ability to continue as a going concern and pay its other liabilities as and when they fall due for payment.
-  The Company has a successful track record of raising working capital when required through the issue of equity securities, through an entitlement issue or placement.

The Directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report. Based on the cash flow forecasts and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group's history of raising capital to date, and the LDA Capital facilities the Directors are confident of the Group's ability to raise additional funds as and when they are required.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 21 Statement of material accounting policies

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

21.1.4 Comparative figures

Where required by AASBs comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

21.1.5 New and Amended Standards Adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2023:

 AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments* [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141].

 AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* [AASB 112]

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

21.2 Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

21.3 Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.3.1.

21.3.1 Critical Accounting Estimates and Judgments

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- a. Key estimate – Taxation..... Refer note 3 *Income Tax*.
- b. Key estimate – Impairment of intangibles..... Refer note 5.2 *Intangible assets*.
- c. Key estimate – Share-based payments..... Refer note 18 *Share-based payments*.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 21 Statement of material accounting policies

21.4 Fair Value

21.4.1 Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable AASB.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly unforced transaction between independent, knowledgeable, and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also considers a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

21.4.2 Fair value hierarchy

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- 🔄 if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- 🔄 if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e., transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

21.4.3 Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- 🔄 Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- 🔄 Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- 🔄 Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Notes to the consolidated financial statements

for the year ended 30 June 2024

Note 21 Statement of material accounting policies

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

21.5 New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2024 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.



Consolidated Entity Disclosure Statement

Entity name	Ownership interest 2024	Type of Entity	Trustee, partner, or participant in a joint venture	Country of incorporation	Australian resident for tax purposes
 SE Operations Pty Ltd	100	Body corporate	N/A	Australia	Australian

The Company has not formed a tax consolidated group with its wholly-owned Australian subsidiary

Basis of preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the *Corporations Act 2001*. It includes certain information for each entity that was part of the consolidated entity at the end of the financial year.

Determination of Tax Residency

Section 295 (3A) of the *Corporation Acts 2001* defines tax residency as having the meaning in the *Income Tax Assessment Act 1997*. The determination of tax residency involves judgement as there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency. It should be noted that the definitions of 'Australian resident' and 'foreign resident' in the *Income Tax Assessment Act 1997* are mutually exclusive. This means that if an entity is an 'Australian resident' it cannot be a 'foreign resident' for the purposes of disclosure in the CEDS.

In determining tax residency, the consolidated entity has applied the following interpretation:

Australian tax residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

Directors' declaration

The Directors of the Company declare that in the Directors' opinion:

1. The attached financial statements and notes, as set out on pages 16 to 53, are in accordance with the *Corporations Act 2001* (Cth) including:
 - (a) complying with Accounting Standards, the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the financial year ended on that date
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 21.1.2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001* (Cth);

The Consolidation Entity Disclosure Statement on page 54 is true and correct as at 30 June 2024.

This declaration is signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors



PETER MALONE

Executive Chairman

Dated this Monday, 30 September 2024





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INDEPENDENT AUDITOR'S REPORT

To the members of Skin Elements Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Skin Elements Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 21.1.3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for Research and Development Income

Key audit matter	How the matter was addressed in our audit
As disclosed in Note 1.2, the Group has recognised a refundable tax offset from eligible expenditure under the Research and Development (R&D) Tax Incentive Scheme as income for the year ended 30th June 2024. Given the judgement and specialised knowledge in identifying eligible expenditures, as well as the material nature of the R&D income recognised, we consider this to be a key audit matter.	Our procedures included, but were not limited to the following: • Assessing the Group’s revenue recognition policy for compliance with Australian Accounting Standards; • Enquired with Management to understand the basis of claim and assess the eligibility of the Group to claim the R&D; • In conjunction with our R&D expert, we reviewed the R&D calculations to ensure such calculations had been performed on a reasonable basis; • We agreed the amounts calculated to the documentation lodged with the Australian Taxation Office; • Performed analytical procedures to gain comfort over the correct recognition of the R&D revenue for the year; and • Testing the mathematical accuracy of the amount recognised.





Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



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A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 13 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Skin Elements Limited, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', is written over a faint, light blue circular stamp that contains the letters 'BDO'.

Glyn O'Brien

Director

Perth, 30 September 2024



Corporate governance statement

The Board is responsible for establishing the Company's corporate governance framework. In establishing its corporate governance framework, the Board has referred to the 4th edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations.

The Corporate Governance Statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The Company's governance-related documents can be found on its website at www.skinelementslimited.com/investors.html#cg.



Additional Information for Listed Public Companies

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

1 Capital as at 11 September 2024

a. Ordinary share capital

563,986,095 ordinary fully paid shares held by 1,112 shareholders. There are an additional 25,500,000 treasury shares held by LDA Capital (USA) as collateral shares.

b. Options over Unissued Shares

The Company has an additional 133,351,198 listed options and 58,000,000 unlisted options on issue in accordance with section 9.1 of the Directors' Report.

ASX Security Code	Grant Date	Date of Expiry	Exercise Price \$	Number under Option
SKNOD	05.2023 & 06.2023	31.05.2026	0.025	113,351,198
SKNAS	11.2022 & 02.2023	31.10.2025	0.050	58,000,000
				<u>171,351,198</u>

No person entitled to exercise the option has any right by virtue of the option to participate in any share issue of any other body corporate.

c. Performance Rights over Unissued Shares

Class of Right	Performance Condition	Rights No.	Milestone Date	Expiry Date
2022 Class B Tranche 1	The Company receiving revenue from product sales of \$25M after 1.01.22	15,500,000	31 Dec 2027	3 years from vesting date
2022 Class B Tranche 2	The Company receiving revenue from product sales of \$50M after 1.01.22	15,500,000	31 Dec 2027	3 years from vesting date
2022 Class B Tranche 3	The Company receiving revenue from product sales of \$75M after 1.01.22	15,500,000	31 Dec 2027	3 years from vesting date
2022 Class B Tranche 4	The Company receiving revenue from product sales of \$100M after 1.01.22	15,500,000	31 Dec 2027	3 years from vesting date
		<u>62,000,000</u>		

(1) The 2022 Class B rights were derecognised due to not meeting conditions as described in note 18.2.2d of the financial statements.

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

-  **Ordinary shares** Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
-  **Options** Options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.
-  **Performance Rights** A Performance Right does not entitle a Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company. A Performance Right does not entitle a Holder to any dividends. A Performance Right does not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up of the Company. A Performance Right is not transferable.

e. Substantial Shareholders as at 11 September 2024

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
ABC Brightred Pty Ltd	35,000,000	6.21
Sovereign Empire Pty Ltd	31,743,116	5.63

Additional Information for Listed Public Companies

f. Distribution of equity holders as at 11 September 2024

i. Ordinary shareholders

Category (size of holding)	Total Holders	Units held	% Held
1 – 1,000	34	4,479	0.00
1,001 – 5,000	42	177,566	0.03
5,001 – 10,000	213	1,842,769	0.33
10,001 – 100,000	432	18,104,940	3.22
100,001 – and over	391	543,856,341	96.41
	1,112	563,986,095	99.99

ii. Listed options (ASX:SKNOD) exercisable at \$0.025 on or before 31 May 2026

Category (size of holding)	Total Holders	Units held	% Held
1 – 1,000	7	5,963	0.00
1,001 – 5,000	33	85,598	0.06
5,001 – 10,000	16	130,959	0.10
10,001 – 100,000	88	3,740,263	2.80
100,001 – and over	81	129,388,415	97.02
	225	133,351,198	99.98

g. Unmarketable Parcels as at 11 September 2024

There were 688 shareholders who held less than a marketable parcel of shares, holding 16,829,754 shares.

h. On-Market Buy-Back

There is no current on-market buy-back.

i. Restricted Securities

The Company has currently no restricted securities.

j. 20 Largest Shareholders — Ordinary Shares as at 11 September 2024

Rank	Name	No. Held	% Held
1.	ABC Brightred Pty Ltd	35,000,000	6.21
2.	Sovereign Empire Pty Ltd	31,743,116	5.63
3.	Sharesies Australia Nominee Pty Limited	28,855,557	5.12
4.	LKS Holdings WA Pty Ltd	25,259,022	4.48
5.	Citicorp Nominees Pty Limited	24,536,782	4.35
6.	Braunii Pty Ltd	20,000,000	3.55
7.	Ozada Pty Ltd	17,598,348	3.12
8.	Mr John Eugene Slisar	16,490,000	2.92
9.	Sovereign Equities Pty Ltd	12,320,354	2.18
10.	Bayroad Nominees Pty Ltd	12,000,000	2.13
11.	Nabawa Pty Ltd	8,250,000	1.46
12.	Mr Russell Wayne Allen	7,400,000	1.31
13.	State Securities Pty Ltd	7,166,667	1.27
14.	Ozada Pty Ltd	6,733,420	1.19
15.	Clare Malone	6,266,668	1.11
16.	Unique Choice International Pty Ltd	5,500,000	0.98
17.	Mr Peter Harry Kaladis	5,300,000	0.94
18.	Top Oceania International Limited	5,254,636	0.93
19.	Nevile Superannuation Fund Pty Ltd	5,000,000	0.89
20.	Kava Holdings Pty Ltd	5,000,000	0.89
	Total	285,674,570	50.66

Additional Information for Listed Public Companies

k. 20 Largest Optionholders (SKNOD)— Listed Options as at 11 September 2024

Rank	Name	No. Held	% Held
1.	ABC Brightred Pty Ltd	35,000,000	26.25
2.	708 Capital Pty Ltd	16,152,981	12.11
3.	Australian Executor Trustees Limited	5,387,963	4.04
4.	Sovereign Empire Pty Ltd	5,290,520	3.97
5.	Braunii Pty Ltd	4,710,445	3.53
6.	Bayroad Nominees Pty Ltd	4,200,000	3.15
7.	Superhero Securities Limited	3,003,144	2.25
8.	Dujon Holdings Pty Ltd	3,000,000	2.25
9.	Mgold Pty Ltd	2,933,058	2.20
10.	BNP Paribas Nominees Pty Ltd <IB AU Noms retailclient>	2,703,952	2.03
11.	Mr Kenneth Rayward	2,700,000	2.02
12.	Blue Albatross Pty Ltd	2,000,000	1.50
13.	Equities Services Pty Ltd	1,863,551	1.40
14.	BNP Paribas Nominees Pty Ltd <Clearstream>	1,740,000	1.30
15.	LKS Holdings WA Pty Ltd	1,600,000	1.20
16.	Mr Keith William Flynn	1,509,663	1.13
17.	Comnet Managements Pty Ltd	1,500,000	1.12
18.	Sovereign Equities Pty Ltd	1,386,726	1.04
19.	Nabawa Pty Ltd	1,375,000	1.03
20.	Keith Flynn	1,255,250	0.94
Total		99,312,253	74.46

l. Unquoted Securities Holders Holding More than 20% of the Class as at 11 September 2024

Note: The 2022 Class B rights were derecognised due to not meeting conditions as described in note 18.2.2d of the financial statements.

 2022 Class B Tranche 1 Performance Rights Holders

Name	No. Held	% Held
Peter Malone	12,500,000	100.00
Sub-total	12,500,000	100.00
Total 2022 Class B Tranche 1 Performance Rights	12,500,000	

 2022 Class B Tranche 2 Performance Rights Holders

Name	No. Held	% Held
Peter Malone	12,500,000	100.00
Sub-total	12,500,000	100.00
Total 2022 Class B Tranche 2 Performance Rights	12,500,000	

 2022 Class B Tranche 3 Performance Rights Holders

Name	No. Held	% Held
Peter Malone	12,500,000	100.00
Sub-total	12,500,000	100.00
Total 2022 Class B Tranche 3 Performance Rights	12,500,000	

Additional Information for Listed Public Companies

 2022 Class B Tranche 4 Performance Rights Holders

Name	No. Held	% Held
Peter Malone	12,500,000	100.00
Sub-total	12,500,000	100.00
Total 2022 Class B Tranche 4 Performance Rights	12,500,000	

 SKNAS Unlisted Options (Exercise price: \$0.05, Expiry Date: 31.10.2025)

Name	No. Held	% Held
Everblu Capital Corporate Pty Ltd	28,000,000	48.28
Sub-total	28,000,000	48.28
Total SKNAS Unlisted Options	58,000,000	



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Additional Information for Listed Public Companies

2 The Company Secretary is Stuart Usher.

3 **Principal registered office**

As disclosed in the *Corporate directory* on page i of this Annual Report.

4 **Registers of securities**

As disclosed in the *Corporate directory* on page i of this Annual Report.

5 **Stock exchange listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, as disclosed in the *Corporate directory* on page i of this Annual Report.



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