



27 October 2021

Quarterly Activity Report - Period ending 30 September 2021

Australian natural skin care company Skin Elements Limited (ASX: SKN) (Skin Elements, the Company) is pleased to present its Quarterly Activity Report for the period ending 30 September 2021.

Quarterly Highlights

- SKN secures TGA registration for Invisi Shield SuprCuvr as a Hospital Grade Disinfectant .
- SKN receives AusIndustry approval for \$989k R&D Tax Rebate.
- SKN completes placement raising \$2.1 million.
- SKN has net operating cash inflows of \$419k for the quarter.
- SKN has cash on hand of \$2.68 million at 30 September 2021.

TGA Registration for Invisi Shield SuprCuvr Hospital Grade Disinfectant

Skin Elements has obtained Therapeutic Goods Administration (TGA) registration for its Invisi Shield SuprCuvr as a hospital grade disinfectant. Invisi Shield SuprCuvr now has an ARTG (Australian Register of Therapeutic Goods) number which means that it can now be lawfully supplied in Australia as a hospital grade disinfectant effective against COVID 19.

To meet the requirements for TGA registration, Invisi Shield SuprCuvr was independent laboratory tested achieving 99.99999% (7 log reduction) effective against COVID 19, which SKN's research indicates is the first and only approved disinfectant globally with such a rating efficacy against COVID 19.

The TGA registration allows the Company to make more detailed and specific product and label claims in respect to Invisi Shield SuprCuvr which paves the way for Skin Elements to commence its commercialization and growth strategy, including the pursuing commercial scale sales and distribution opportunities for Invisi Shield SuprCuvr with distributors and other potential sales partners who stipulate TGA registration as pre-requisite in the disinfectant products they deal in.

Natural Science by Skin Elements

Research & Development Rebate

With the Company focus on development of its natural antimicrobial technologies, during the quarter SKN has received approval and payment from AusIndustry for the 2021 R&D Rebate of \$989k.

Placement raises \$2.1 million

During the quarter, the Company completed a placement of 26,500,000 ordinary fully paid shares at \$0.08 each raising \$2.1 million cash under the Company's LR7.1 and 7.1A placement capacity. The funds will be used to fund its stated business plans including the launch of its new TGA registered SuprCuvr hospital grade disinfectant.

SKN enters into \$20 million equity funding facility

SKN has entered into an equity funding facility agreement (**Agreement**) with LDA Capital, under which LDA Capital has agreed to provide Skin Elements with up to \$20 million in committed equity capital over the next 36 months.

The Agreement enables Skin Elements to issue shares to LDA Capital over the next three years at the Company's discretion at a floor price to be determined by Skin Elements and receive funds for the issue of those shares.

The Agreement allows Skin Elements to access committed equity capital on a flexible basis by managing the timing and size of each capital drawdown. The Agreement ensures that Company has access to additional equity capital as required to support its growth into new markets, support existing sales channels and fund the anticipated commercial scale sales and distribution opportunities for Invisi Shield® and the Company's other product lines.

Skin Elements expects to make the first initial drawdown of this facility in the December 2021 quarter.

Entitlement Issue to raise over \$2 million

The Company has advised that it will be undertaking a non-renounceable pro rata entitlement issue at an issue price of \$0.08 per share on the basis of one (1) new shares for every fifteen (15) ordinary shares held. Shareholders who subscribe for the entitlement issue will also receive one attaching listed option for every two new shares issued, exercisable at \$0.10 and expiring on 15 March 2024.

Under the entitlement issue up to 25,298,484 shares and 12,649,242 attached options will be issued to raise up to \$2,023,879 (before costs). An updated timetable has been announced with the issue of a prospectus and entitlement application forms in November with completion in December 2021.

Summary of Operating Cashflows

The Company's research and development focus is reflected in the operating cashflows for the quarter including customer receipts of \$73k, \$989k cash received from the R&D Rebate, and cash outflows of \$643k including \$333k invested in staff and research and development. Product manufacturing, marketing, and overheads make up the balance as detailed in the



Appendix 4C, resulting in net cash inflow from operating activities of \$419k for the quarter and cash on hand of \$2.68 million.

Included in the operational cash outflows for the quarter is \$72k paid to entities associated with the Directors for executive services and directors' services in accordance with services agreements, details of which have been disclosed in the Company's 2021 Annual Report.

Whilst SKN has continued to position its Invisi Shield® natural sanitiser and SuprCuvr natural disinfectant products for launch

during the quarter, the impact of ongoing COVID-19 restrictions has seen delay of orders from national and international distributors for its range of skincare products with restrictions on travel which reduced ability to meet with distributors and new customers. Additionally, the Company has also experienced increased costs and shipment timeframes for national and international freight, and delayed production and the delivery of inventories.

Sales and Manufacturing

SKN is well positioned to now drive sales growth through its distributor and online channels with current inventory on hand including:

- 36,000 units of the expanded Soleo Organics sunscreen ranges including high performance, everyday, face and coconut.
- 7,000 units of its PapayaActivs therapeutic range.
- scale up production of Invisi-Shield and SuprCuvr is now underway together with the new online store launch targeted for this quarter.

SKN reaffirms its commitment to use Australian sourced manufacturing and ingredients where available.

Skin Elements products are available through distributors and for sale through the Company's online store www.sknlife.com.au.

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

"With Invisi Shield SuprCuvr registered with TGA and Skin Elements' capital raising program now secured, the Company can now execute its corporate and operations plans to launch the SuprCuvr natural disinfectants for Australia and following into the global market. Additionally the full range of the SE Formula products are positioned for release post COVID19 conditions in Australia and internationally. With SKN now quoted on ASX, the Company will proceed with the entitlement issue, which I encourage all shareholders to take up, and the LDA Capital equity funding facility."

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

END

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About Skin Elements

Skin Elements is an Australian owned and operated ASX-listed skin care company focused on the development of natural and organic skin care products. It has developed a portfolio of products which includes the new Invisi-Shield Organics range of disinfectants currently being assessed for TGA approval in Australia, the Soléo Organics 100% natural and organic sunscreen, PapayaActivs natural therapeutics skincare, and the Elizabeth Jane Natural Cosmetics brand. The Company has a track record of developing award winning natural products that have attained regulatory approval with the Australian TGA, USA FDA, and other significant regulators.

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



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Appendix 4C

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

Name of entity

SKIN ELEMENTS LIMITED (ASX:SKN)

ABN

90 608 047 794

Quarter ended (Current quarter)

30 September 2021

Consolidated statement of cash flows

	Current Quarter ¹ \$A'000	Year to date (3 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	73	73
1.2 Payments for:		
(a) research and development	(176)	(176)
(b) product manufacturing and operating costs	(9)	(9)
(c) advertising and marketing	(57)	(57)
(d) leased assets	-	-
(e) staff costs	(157)	(157)
(f) administration and corporate costs	(233)	(233)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(11)	(11)
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	989	989
1.8 Other: (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	419	419
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

¹ Movements for the current quarter have been adjusted to match the auditor reviewed report for the half year ended 31 December 2020. Movements may not necessarily reconcile to the previous Appendix 4C, which was not reviewed by the auditor.

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2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

Consolidated statement of cash flows	Current Quarter ² \$A'000	Year to date (3 Months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	2,100	2,100
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(121)	(121)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,979	1,979
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	287	287
4.2 Net cash from / (used in) operating activities (item 1.9 above)	419	419
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,979	1,979
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	2,685	2,685

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2,685	287
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details):	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,685	287

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	78
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 and 6.2 your quarterly activity report must include a description of, and an explanation for, such payments

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² Movements for the current quarter have been adjusted to match the auditor reviewed report for the half year ended 31 December 2020. Movements may not necessarily reconcile to the previous Appendix 4C, which was not reviewed by the auditor.

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7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.
Add notes as necessary for an understanding of the sources of finance available to the entity.

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

7.5 Unused financing facilities available at quarter end 20,000

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

LDA Capital Equity Funding Facility Terms and conditions:	
Key terms and conditions:	
■ Terms	36 months
■ Total facility	Put options to require LDA to subscribe for up to \$20 million of shares at the Company's election.
■ Drawdown	Nil
■ Issue Price	The issue price of the shares pursuant to a put option will be 90% of the higher of: <ul style="list-style-type: none"> - The average VWAP of shares in the 30-trading day period after the issue of a call option by the Company (subject to any applicable adjustments); and - the minimum price notified to LDA Capital by the Company upon the issue of the call option.
■ Limit	During the term of the Agreement, LDA Capital may not hold more than 19.9% of the issued share capital of the Company.
■ Security	SKN will issue LDA Capital collateral shares (SKN ordinary fully paid for nil consideration) on a one for one basis to the number of shares issued under the capital call notice less any collateral shares already held by LDA Capital.
■ Capacity	Any placement to LDA Capital is expected to be made under the Company's Listing Rule 7.1 capacity.

	\$A'000
8. Estimated cash available for future operating activities	
8.1 Net cash from / (used in) operating activities (Item 1.9)	419
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,685
8.3 Unused finance facilities available at quarter end (Item 7.5)	20,000
8.4 Total available funding (Item 8.2 + Item 8.3)	22,685
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	54.1

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

N/A

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Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: Wednesday, 27 October 2021

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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