



28 April 2023

## Quarterly Activity Report - Period ending 31 March 2023

Australian natural skin care company Skin Elements Limited (ASX: SKN) (Skin Elements, the Company) is pleased to present its Quarterly Activity Report for the period ending 31 March 2023.

### Quarterly Highlights

- **The Company's ongoing SE Formula technology development program has delivered Eco Nurture, a sustainable horticulture plant bio stimulant.**
- **MOU signed after positive results in trials completed by Accolade of Eco Nurture to improve the health of a kiwifruit orchard in New Zealand.**
- **Skin Elements continues to develop sales and marketing distribution channels in Australia and internationally for its products.**
- **R&D Rebate of \$178k received for the R&D expenditure invested in the previous quarter.**
- **Fully underwritten non renounceable entitlement issue to raise \$932k (before costs) capital underway.**

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

*"The Company's SE Formula biotechnology continues to deliver products that align with increasing emphasis on the importance of a healthy lifestyle and healthy planet.*

*The outstanding results that Eco Nurture has achieved is a further testament to the widespread effectiveness of the SE Formula biotechnology.*

*With the Company's fully underwritten entitlement issue now underway, the Company is excited with the opportunities, working closely with key distributors to position into and develop expanding sales opportunities for these products."*

Natural Science by Skin Elements

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### **Development of Eco Nurture Plant Bio Stimulant**

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

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

During the quarter, SKN entered into an MOU with New Zealand company Accolade Packaging Limited ("Accolade") after it completed their own trial of the treatment of kiwifruit vines with the horticultural specific Eco Nurture. The announcement was lodged with ASX on 30 March 2023, titled 'MOU Signed with launch of Eco Nurture in new Zealand'. The positive results of the trial confirmed the kiwifruit vines improved stress tolerance, wellness and natural resilience levels. The MOU allows Accolade and SKN to negotiate legally binding commercial terms for the exclusive distribution of 'Eco Nurture' in New Zealand and other markets in the agricultural and horticultural sectors.

Skin Elements has obtained a class determination from New Zealand Food Safety as an agricultural compound that is exempt from the requirement of registration under the ACVM Act (Agricultural Compounds and Veterinary Medicines).

This means that Eco Nurture can be imported, marketed, distributed, sold or used in New Zealand as a plant bio stimulant in accordance with the relevant ACVM regulations.

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

### **SuprCuvr Distribution Agreement with Pacific Health**

Pacific Health Care Pty Ltd (Pacific Health) has submitted SuprCuvr on the formal tender lists for broad scale adoption by government departments in Western Australia as a hospital grade disinfectant and is pursuing sales opportunities with the Queensland, New South Wales and Victoria governments.

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

Pacific Health will be able to deliver SuprCuvr supply contracts once the outcome of the tender process is secured with these government and corporate sectors. SKN and Pacific Health have continued to work together to evaluate the initial market responses and updated the formula potency, packaging presentation and competitive pricing structure.

### **Other Commercialisation Opportunities**

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

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

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

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

The Company's product range is available through the Company's updated and optimised online store websites [www.soleoorganics.com](http://www.soleoorganics.com) and [www.sknlife.com](http://www.sknlife.com).

## **Corporate**

### **Research & Development Rebate**

The Company's commitment to the development of new applications for its natural SE Formula technologies saw it receive R&D Rebate of \$178k for the R&D expenditure invested in the year to December 2022 quarter, with an additional \$180k R&D Rebate expected for the March quarter expenditure expected to be received in May.

### **LDA Capital \$20 million equity funding facility**

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

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

### **Entitlement Issue**

The Company announced to ASX on 5 April 2023 that it lodged a prospectus for a non-renounceable pro-rata entitlement issue on the basis of one (1) new share for every five (5) ordinary shares held on the record date at an issue price of \$0.01 for each new share with one attaching option (exercisable at \$0.025 three years from date of issue) for each new share issued.

The prospectus has been mailed with entitlement forms to eligible shareholders for the entitlement issue with up to 93,226,979 shares and 93,226,979 attaching options to be issued raising up to \$932,270 (before costs).

The proposed entitlement issue is fully underwritten by 708 Capital Pty Ltd.

### **Summary of Operating Cashflows**

The Company's research and development focus is reflected in the operating cashflows for the quarter, which included customer receipts of \$55k, R&D Tax Rebate advance of \$178k, and \$271k invested in product manufacturing, staff and research and development.

Corporate costs of \$86K and administration costs of \$80k made up the balance of outflows as detailed in the Appendix 4C, resulting in net cash outflows from operating activities of \$206k for the quarter and cash on hand of \$274k.

Included in the operational cash outflows (see item 6.1) for the quarter is \$90k paid to entities associated with the Directors for executive services and directors' services in accordance with

services agreements, details of which have been disclosed in the Company's 2022 Annual Report.

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

**END**

**For further information please contact**

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**About Skin Elements**

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

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



# Appendix 4C

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

Name of entity

**SKIN ELEMENTS LIMITED (ASX:SKN)**

ABN

**90 608 047 794**

Quarter ended (Current quarter)

**31 March 2023**

### Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (9 Months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	55	150
1.2 Payments for:	-	-
(a) research and development <sup>†</sup>	(113)	(752)
(b) product manufacturing and operating costs <sup>†</sup>	(22)	(113)
(c) advertising and marketing <sup>†</sup>	-	(88)
(d) leased assets	-	-
(e) staff costs	(136)	(421)
(f) administration costs <sup>†</sup>	(80)	(302)
(g) corporate costs	(86)	(208)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(56)
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives (net of funding repayments)	178	623
1.8 Other: (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(206)</b>	<b>(1,167)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-

<sup>†</sup> Year to date contained minor reallocations within operating cash flow payments. These have not affected total operating cash flows

2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	-	-

Consolidated statement of cash flows	Current Quarter \$A'000	Year to date (9 Months) \$A'000
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	750
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(57)
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	-	693
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	480	748
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(206)	(1,167)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	693
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	274	274

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	274	480
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details):	-	-
<b>5.5 Cash and cash equivalents at end of quarter</b> (should equal item 4.6 above)	274	480

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	90
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

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

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

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify): LDA Capital Equity Funding Facility	20,000	-
<b>7.4 Total financing facilities</b>	20,000	-

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

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

**LDA Capital Equity Funding Facility Terms and conditions:**

Key terms and conditions:

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

8. Estimated cash available for future operating activities	\$A'000
8.1 <b>Net cash from / (used in) operating activities</b> (Item 1.9)	(206)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	274
8.3 Unused finance facilities available at quarter end (Item 7.5)	20,000
8.4 Total available funding (Item 8.2 + Item 8.3)	20,274
8.5 <b>Estimated quarters of funding available</b> (Item 8.4 divided by Item 8.1)	98.4

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

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

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

Answer:

N/A

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

Answer:

N/A

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

Answer:

N/A

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

## Compliance statement

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

Date: Friday, 28 April 2023

Authorised 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.