



31 July 2023

Quarterly Activity Report - Period ending 30 June 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 30 June 2023.

Quarterly Highlights

- **Commenced phase 2 test of Eco Nurture sustainable, horticultural-specific plant bio stimulant to commence on kiwi fruit in NZ**
- **Subject to successful outcomes, Company will seek regulatory approval from NZ Ministry of Primary Industry for commercial application of Eco Nurture**
- **The potential to develop Eco Nurture as a plant-based plant bio stimulant as an alternative to widely-used chemical-based bactericides and fungicides in crop protection is a major opportunity in the massive agriscience market.**
- **Fully underwritten non renounceable entitlement issue completed oversubscribed, raising \$1.022m to help fund product development and commercialisation.**
- **R&D Rebate of \$166k received for the R&D expenditure invested in the previous quarter.**

SE Formula™ – the Cornerstone of our Business

During the quarter, Skin Elements continued to invest in the research and development, and commercialisation of its proprietary plant-based, high-performance SE Formula biotechnology across its product range. The SE Formula has been developed by Skin Elements over the last 20 years, and is the core of every natural product we develop. In total over 18,000 hours of research and more than \$36 million has been invested in its creation, and the resulting products. Products with the SE Formula™ are more effective, last longer, require no chemical preservatives and have come to be trusted by consumers in our test marketing. To date, the Company has developed three core programmes, all underpinned by SE Formula™ (Figure 1).

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

“The June 2023 quarter was one of strong progress for the Company, with a number of significant new business opportunities across the business being advanced. Whilst still in varying stages of development, these represent exciting, potential large scale commercial sales and distribution opportunities, all leveraging our unique plant-based SE Formula biotechnology. We are delighted to see the progress of these potentially major opportunities, which are testament to the Company’s formal three-phased approach to product research and development, marketing and commercialisation. With funding in place, Skin Elements is a strong position to deliver commercial outcomes for the benefit of shareholders.”

Natural Science by Skin Elements



Figure 1: Skin Elements three core programmes – all underpinned by the SE Formula biotechnology.

Skin Elements uses a three phase process in the development of our brands. Utilising the SE Formula, the Company starts by developing an all-natural formula for the desired field and purpose. This is the first phase of our development process.

Following the development of the formula, we undertake regulatory approvals, certifications and basic consumer testing. When these are complete we begin test marketing, usually starting in our desired market and with some expansion to other potential global markets. This completes the second phase of our development process.

Finally with a complete, tested™ product, and test marketing completed, we launch into distribution, scaling up production and seeking distribution agreements creating large scale regular orders.

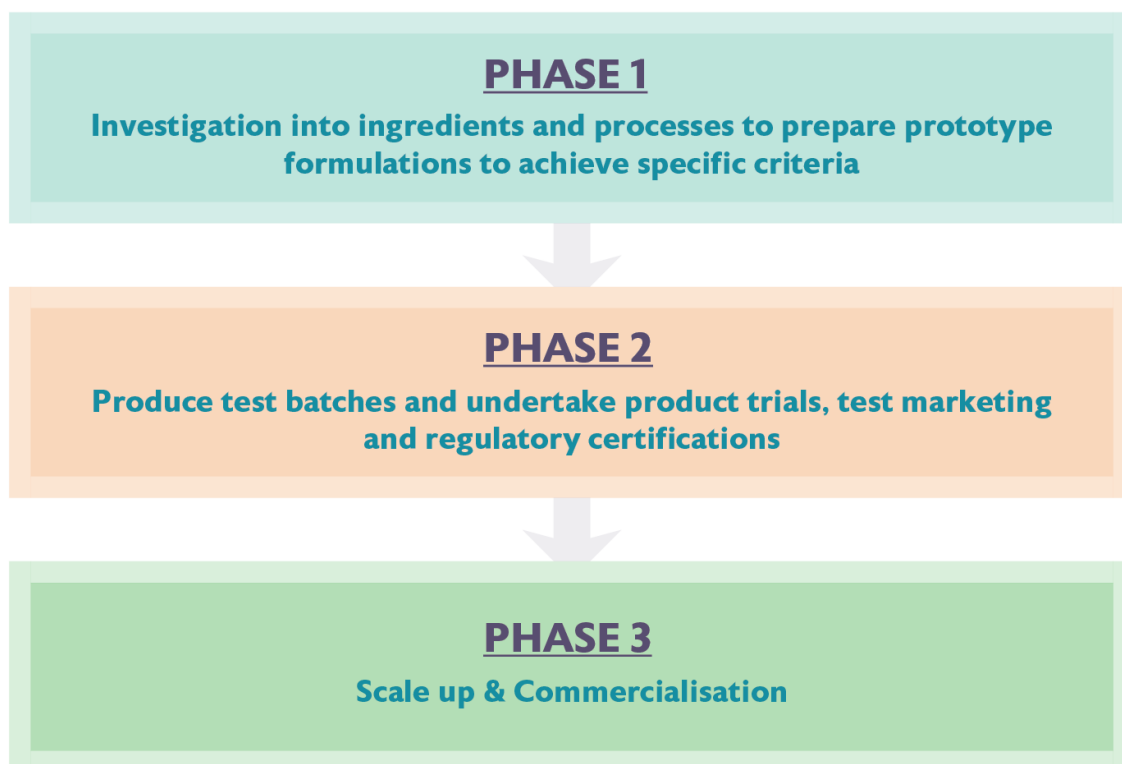


Figure 2: Skin Elements' 3-phase product development process.

Soléo Organics

A key focus during the quarter was on advancing large-scale distribution opportunities for the Company's Soléo Organics sunscreen product.

Soléo Organics is an award-winning, natural and organic sunscreen and was the first application borne out of Skin Elements' SE Formula research and development program – and is now in phase 3 of the Company's product development. It has resulted in a major advancement in sun protection technology, providing a highly effective, chemical-free sunscreen.

During the quarter, Soleo Organics predominantly completed phase 2 and is now commencing phase 3, with the initial phase of engagement with a leading health and wellbeing retail chain in the UK and investigations into scale manufacturing of white label ranges.

The above referenced opportunities are all ongoing, but there is no certainty that any sales or distribution agreements will be entered into. Skin Elements will update the market on any material progress on these, or any other, sales or distribution opportunities.

Eco Nuture – Phase 2 Crop Protection Trials

Eco Nuture is the latest product developed from plant-based SE Formula biotechnology research and development program. Eco Nuture is a sustainable, horticultural-specific plant bio stimulant product.

Skin Elements is pursuing opportunities for Eco Nuture as an effective alternative to chemical-based bactericides and fungicides currently used in crop protection globally. This represents a major opportunity in the massive agriscience market.

The phase 1 investigations delivered a positive outcome, with the Eco Nuture crop sample producing improved stress tolerance, wellness and natural resilience levels in the kiwi fruit crop. The progress achieved to date reinforces the ability of Eco Nuture as a replacement to heavy chemicals used in the market and is now planning to undertake phase 2 testing.

The phase 2 testing will comprise the use of Eco Nuture sprayed on to the crop compared to a 'control' component, which utilised a typical chemical-based fungicide spray.

Subject to successful outcomes of the phase 2 test, Skin Elements will seek to secure regulatory approval for Eco Nuture from the New Zealand Ministry of Primary Industry (MPI), and then pursue commercial sales and distribution agreements for Eco Nuture in the kiwi fruit sector.

Beyond the initial opportunity in kiwi fruit, the Company is also assessing opportunities in other agriculture sectors, including grapes and other fruit and vegetable crops. Subject to the successful execution of its Eco Nuture business plans, there may be a substantial market opportunity for Eco Nuture in the emerging bio-stimulants market within the multi-billion dollar food crop industry.

Further information on Eco Nuture is provided in the ASX announcement of 30 March 2023.

SuprCuvr - Phase 2 Market Testing

SuprCuvr is a TGA registered hospital-grade disinfectant made from a 100% plant-based formula. Independent laboratory tests have confirmed that SuprCuvr has 99.99999% (7 log reduction). It combines an exceptionally high level of efficacy with a 100% plant-based formula to present a significant market opportunity for a chemical-free disinfectant in large-scale settings where disinfectants are deployed.

During the quarter, the Company continued to develop the SuprCuvr product range, with the development of SuprCuvr biodegradable and compostable wipes. This product has potential to address a significant unmet market need, and is consistent with community-wide efforts to cut-down on non-biodegradable waste.

PapayaActivs Therapeutics

During the quarter, PapayaActivs is undertook phase 2 with improvements in the formulations and expansion of the product range.

PapayaActivs 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. PapayaActivs is listed on the TGAs Australian Register of Therapeutic Goods.

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 \$166k for the R&D expenditure invested in the March 2023 quarter, with an additional \$195k R&D Rebate received for the June quarter expenditure.

Entitlement Issue Oversubscribed

The Company announced on 22 June 2023 the successful completion of its 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 proposed entitlement issue was fully underwritten by 708 Capital Pty Ltd.

The issue was oversubscribed with the issue raising \$1.022 million (before costs).

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.

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 \$43k, R&D Tax Rebate advance of \$166k, and \$848k invested in product manufacturing, staff and research and development.

Corporate costs of \$43K, market development of \$49k and administration costs of \$27k made up the balance of outflows as detailed in the Appendix 4C, resulting in net cash outflows from operating activities of \$784k for the quarter and cash on hand of \$358k.

Included in the operational cash outflows for the quarter is \$132k 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.

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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 products include the SuprCuvr TGA-registered, hospital-grade plant-based disinfectant, Invisi Shield alcohol free natural sanitiser, Soléo Organics natural and organic sunscreen, PapayaActivs natural therapeutics skincare and Elizabeth Jane Natural Cosmetics brand.

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

30 June 2023

Consolidated statement of cash flows

| | Current Quarter \$A'000 | Year to date (12 Months) \$A'000 |
|--|-------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 43 | 193 |
| 1.2 Payments for: | - | - |
| (a) research and development [†] | (762) | (1,614) |
| (b) product manufacturing and operating costs [†] | (18) | (130) |
| (c) advertising and marketing [†] | (49) | (137) |
| (d) leased assets | - | - |
| (e) staff costs | (68) | (475) |
| (f) administration costs [†] | (27) | (326) |
| (g) corporate costs | (43) | (250) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | (26) | (82) |
| 1.6 Income taxes (paid) / refunded | - | - |
| 1.7 Government grants and tax incentives (net of funding repayments) | 166 | 789 |
| 1.8 Other: (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (784) | (2,032) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | - |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets | - | - |
| 2.2 Proceeds from disposal of: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | - |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets | - | - |
| 2.3 Cash flows from loans to other entities | - | - |
| 2.4 Dividends received (see note 3) | - | - |
| 2.5 Other (provide details if material) | - | - |

[†] Year to date contained minor reallocations within operating cash flow payments. These have not affected total operating cash flows

| | | |
|--|---|---|
| 2.6 Net cash from / (used in) investing activities | - | - |
|--|---|---|

| Consolidated statement of cash flows | Current Quarter \$A'000 | Year to date (12 Months) \$A'000 |
|---|-------------------------------|--|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities) | 1,022 | 1,772 |
| 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 | (73) | (130) |
| 3.5 Proceeds from borrowings | - | 100 |
| 3.6 Repayment of borrowings | (100) | (100) |
| 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 | 849 | 1,642 |
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 293 | 748 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (784) | (2,032) |
| 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) | 849 | 1,642 |
| 4.5 Effect of movement in exchange rates on cash held | - | - |
| 4.6 Cash and cash equivalents at end of period | 358 | 358 |

| 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 | 358 | 293 |
| 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) | 358 | 293 |

| 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 | 132 |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | - |

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

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

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

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

| | |
|---|--------|
| 7.5 Unused financing facilities available at quarter end | 20,000 |
| 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. | |

LDA Capital Equity Funding Facility Terms and conditions:

Key terms and conditions:

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

| 8. Estimated cash available for future operating activities | \$A'000 |
|--|---------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9) | (783) |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 359 |
| 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) | 20,359 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 26.0 |

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:
- 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
 - 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
 - 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: Monday, 31 July 2023

Authorised by: _____
(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.