



31 October 2023

Quarterly Activity Report - Period ending 30 September 2023

Australian natural biotechnology company Skin Elements Limited (ASX: SKN) (Skin Elements, the Company) is pleased to present its Quarterly Activity Report for the period ending 30 September 2023.

Quarterly Highlights

- **Continued Phase 3 development of Soleo Organics formulations with initial phase of documentation underway with leading health and wellbeing retailer in the UK.**
- **Continued Phase 2 trials of Eco Nurture sustainable, horticultural plant bio stimulant on 10 kiwi fruit farms in New Zealand.**
- **Continued Phase 2 test marketing of SuprCuvr disinfectant range of product applications in health and public transport sectors**
- **R&D Rebate advance from Radium Capital of \$194k received in the 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 15 years and is the core of every natural product we develop. Products with the SE Formula™ have scientifically proven efficacy while using only natural and plant-based ingredients and have come to be trusted by consumers.

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

“Skin Elements continued to see the benefits of our formal three phased approach to research & development being borne out in the September 2023 quarter 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.”

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.

Natural Science by Skin Elements

Soléo Organics – Phase 3 Commercialisation Negotiations

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 formulations, 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.

During the quarter, Soleo Organics continued phase 3, with the initial phase of documentation and due diligence underway with a leading health and wellbeing retail chain in the United Kingdom and investigations into scale manufacturing of white label ranges.

Skin Elements will update the market on any material progress on these, or any other, sales or distribution opportunities.

Eco Nurture – Phase 2 Crop Protection Trials

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

Skin Elements is pursuing opportunities for Eco Nurture as an effective alternative to chemical-based agricultural sprays currently used in crop disease protection globally. This represents a major opportunity in the massive agriscience market.

The Eco Nurture program has progressed during the quarter to phase 2 testing in New Zealand with Eco Nurture sprayed on to 10 different kiwifruit orchards in North Island, New Zealand replacing typical chemical-based fungicide spray. This trial is closely monitored by Zespri.

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

SuprCuvr - Phase 2 Market Testing

SuprCuvr is an independent laboratory tested TGA registered hospital-grade disinfectant made from a 100% plant-based formula. It combines an exceptionally high level of efficacy 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 and health.

During the quarter, the Company continued to develop the SuprCuvr product range, with the development of SuprCuvr biodegradable and compostable wipes. This product is consistent with community-wide efforts to cut-down on non-biodegradable waste.

Skin Elements has during the quarter provided SuprCuvr for assessment in the public transport sector particularly suburban train carriages and stations in Australia.

PapayaActivs Therapeutics

During the quarter, PapayaActivs 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 and Radium Facility

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 Rebate.

During the quarter, Skin Elements received an advance of \$194k under a R&D Rebate advance facility provided by Radium Capital.

For the 2023 financial year research and development spend, Skin Elements received the R&D Rebate of \$1.13 million in October 2023. For the research and development spend for the September 2023 quarter, a further R&D Rebate calculation of \$301k has been determined which the Company will receive as an advance under the Radium facility in the current quarter.

Placement

The Company announced on 23 October 2023 that it had undertaken a private placement to sophisticated investors raising \$200,000 (before costs). The Company will issue 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.

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 \$24k, and \$317k invested in product manufacturing, staff and research and development. Administration and finance costs of \$33k made up the balance of operating outflows, resulting in net cash outflows from operating activities of \$326k for the quarter and cash on hand of \$109k. The Company continues to manage operational cashflows in line with operational and financing cash inflows.

Cashflows from financing activities during the quarter included receipt of R&D Tax Rebate advance of \$194k and \$200k in funds advanced for the placement in October 2023, and payment of \$300k for facility fee to LDA Capital previously recognised in the accounts.

Included in the operational cash outflows for the quarter is \$65k 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 2023 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 natural biotechnology company focused on the development of its SE Formula Biotechnology. Skin Elements innovative approach to research and development of plant-based and organic sourced ingredients has enabled the creation of a portfolio of products that have global applications. Its flagship products include 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.

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 September 2023

Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (3 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	24	24
1.2 Payments for:		
(a) research and development	(203)	(203)
(b) product manufacturing and operating costs	(19)	(19)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(95)	(95)
(f) administration costs	(32)	(32)
(g) corporate costs	-	-
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other: (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(326)	(326)
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)	-	-
2.6 Net cash from / (used in) investing activities	-	-

Consolidated statement of cash flows

	Current Quarter \$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)	-	-
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	(16)	(16)
3.5 Proceeds from borrowings	394	394
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	(301)	(301)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	77	77
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	358	358
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(326)	(326)
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)	77	77
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	109	109

	Current quarter \$A'000	Previous quarter \$A'000
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		
5.1 Bank balances	109	358
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)	109	358

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 | 65 |
| 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 \$109K 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 2023 Annual Report.

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	680	-
R&D Rebate Advance Facility	1,433	732
7.4 Total financing facilities	2,113	732

7.5 **Unused financing facilities available at quarter end** 1,381

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.

<p>■ LDA Capital Equity Funding Facility Terms and conditions:</p> <p><i>Terms</i> 36 months</p> <p><i>Total facility</i> Put options to require LDA to subscribe for up to \$20 million of shares at the Company's election.</p> <p><i>Drawdown</i> Nil</p> <p><i>Issue Price</i> The issue price of the shares pursuant to a put option will be 90% of the higher of:</p> <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. <p><i>Limit</i> During the term of the Agreement, LDA Capital may not hold more than 19.9% of the issued share capital of the Company.</p> <p><i>Capacity</i> Any placement to LDA Capital is expected to be made under the Company's Listing Rule 7.1 capacity.</p> <p><i>Security</i> 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.</p> <p><i>Availability</i> The total number of shares that SKN could issue under the facility based upon the Limit and Capacity as calculated above is 113,327,733 shares which at current market price would provide approximately \$680K.</p>	
<p>■ R&D Rebate Advance Facility Terms and conditions:</p> <p><i>Terms</i> Up to 18 months</p> <p><i>Total facility</i> \$1.43 million based on eligible R&D spend.</p> <p><i>Drawdown</i> As at 30 September 2023, \$732K has been drawn down with balance available of \$701K</p> <p><i>Security</i> The facility is secured against the R&D Tax Rebate based on eligible R&D spend. The facility and interest is repaid on receipt of the R&D Rebate.</p> <p><i>Interest Rate</i> 14% p.a. pro rata.</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(326)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	109
8.3 Unused finance facilities available at quarter end (Item 7.5)	1,381
8.4 Total available funding (Item 8.2 + Item 8.3)	1,490
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4.57

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: Tuesday, 31 October 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.