



PROSPECTUS

FOR

A non-renounceable pro rata entitlement offer of five New Shares for every nine Shares held by Eligible Shareholders at the Record Date at an issue price of \$0.01 per New Share (together with one free attaching New Option for every three New Shares issued) to raise approximately \$1,004,796 (before costs).

**THE ENTITLEMENT OFFER IS CURRENTLY EXPECTED TO CLOSE AT 5.00 PM (WST) ON
26 February 2020.**

VALID APPLICATIONS MUST BE RECEIVED BEFORE THAT TIME.

**PLEASE READ THE INSTRUCTIONS IN THIS PROSPECTUS AND ON THE
ACCOMPANYING ENTITLEMENT AND ACCEPTANCE FORM REGARDING THE
ACCEPTANCE OF YOUR ENTITLEMENT UNDER THE ENTITLEMENT OFFER.**

**THIS IS AN IMPORTANT DOCUMENT WHICH REQUIRES YOUR IMMEDIATE ATTENTION
AND SHOULD BE READ IN ITS ENTIRETY. IF YOU ARE IN DOUBT ABOUT WHAT TO DO,
YOU SHOULD CONSULT YOUR STOCKBROKER, ACCOUNTANT, SOLICITOR, OR OTHER
PROFESSIONAL ADVISER.**

**AN INVESTMENT IN THE NEW SHARES OFFERED BY THIS PROSPECTUS SHOULD BE
CONSIDERED HIGHLY SPECULATIVE IN NATURE. PLEASE READ THE RISKS SECTION
CAREFULLY WHEN YOU CONSIDER YOUR INVESTMENT.**

IMPORTANT INFORMATION

General

This Prospectus is dated, and was lodged with ASIC on 5 February 2020. Neither ASIC nor ASX nor their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No New Shares will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

The Company will apply to ASX within five days of the closing of this Offer for Official Quotation by ASX of the New Shares the subject of the Offers.

A copy of this Prospectus is available for inspection at the Australian registered office of the Company at 32 Ord Street, West Perth, Western Australia during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (refer to Sections 7.1 and 7.12). Eligible Shareholders can obtain a copy of this Prospectus during the period of the Entitlement Offer on the Company's website.

No person or entity is authorised to give any information or to make any representation in connection with the Offers which is not contained in this Prospectus. Any information or representation not contained in this Prospectus should not be relied on as having been made or authorised by the Company or the Directors in connection with the Offers.

No updates to Prospectus

The information in this Prospectus may not be complete and may be changed, modified or amended at any time by the Company, and is not intended to, and does not, constitute representations and warranties of the Company. Except as required by law or regulation, neither the Company, nor any other adviser of the Company intends to update this Prospectus or accepts any obligation to provide the recipient with access to information or to correct any additional information or to correct any inaccuracies that may become apparent in the Prospectus or in any other information that may be made available concerning the Company. Potential investors should conduct their own due diligence investigations regarding the Company.

Application Forms

The Application Form accompanying this Prospectus is important. An Application for New Shares under the Offers can only be submitted on an Application Form. If acceptance is by BPAY® there is no need to return an Application Form. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement. Please refer to the instructions in Section 4 regarding the acceptance of your Entitlement and completion of an Application Form.

By returning an Application Form, you acknowledge that you have received and read this Prospectus and you have acted in accordance with the terms of the Offers detailed in this Prospectus.

Overseas Shareholders

This Prospectus does not, and is not intended to, constitute an offer of Securities in any place or jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or to issue this Prospectus.

The Offers are not being extended, and New Shares will not be issued, to Shareholders with a registered address which is outside Australia, New Zealand, Hong Kong and China. It is not practicable for the Company to comply with the securities laws of overseas jurisdictions (other than Australia, New Zealand, Hong Kong and China) having regard to the number of overseas Shareholders, the number and value of New Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

No action has been taken to permit the offer of New Shares to existing Shareholders in any jurisdiction other than Australia, New Zealand, Hong Kong and China. The distribution of this Prospectus in jurisdictions outside Australia, New Zealand, Hong Kong and China is restricted by law and persons outside of Australia, New Zealand, Hong Kong and China should observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

New Zealand

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Hong Kong

WARNING: The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Peoples Republic of China

The information in this document does not constitute a public offer of the New Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The New Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors", sovereign wealth funds and quasi-government investment funds.

Notice to nominees and custodians

Nominees and custodians may not distribute this document, and may not permit any beneficial shareholder to participate in the Offers, in any country outside Australia and New Zealand except, with the consent of the Company, to beneficial shareholders resident in certain other countries where the Company may determine it is lawful and practical to make the Offers.

Continuously quoted securities

In preparing this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers. This Prospectus is issued pursuant to section 713 of the Corporations Act. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all information that would be included in a prospectus for an initial public offering.

Exposure period

No exposure period applies to the Offers.

Speculative investment

An investment in the New Shares should be considered highly speculative. Refer to Section 5 for details of the key risks applicable to an investment in the Company.

Persons wishing to apply for New Shares should read this Prospectus in its entirety in order to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of the Company and the rights and liabilities attaching to the New Shares.

This Prospectus does not take into account the investment objectives, financial or taxation or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to his/her particular needs, their individual risk profile for speculative investments, investment objectives and individual financial circumstances. If persons considering applying for the New Shares have any questions, they should consult their stockbroker, solicitor, accountant or other professional adviser.

There is no guarantee that the New Shares will make a return on the capital invested, that dividends will be paid on the New Shares or that there will be an increase in the value of the New Shares in the future.

Forward-looking statements

This Prospectus contains forward-looking statements which may be identified by words such as 'believes', 'estimates', 'expects', 'intends', 'may', 'will', 'would', 'could', or 'should' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management of the Company. Key risks associated with an investment in the Company are detailed in Section 5. These and other factors could cause actual results to differ materially from those expressed in any forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

The Company cannot and does not give assurances that the results, performance or achievements expressed or implied in the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

Website

No document or information included on the Company's website is incorporated by reference into this Prospectus.

Diagrams

Any diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Currency

All financial amounts contained in this Prospectus are expressed as Australian dollars unless otherwise stated.

Rounding

Any discrepancies between totals and sums and components in tables contained in this Prospectus are due to rounding.

Time

All references to time in this Prospectus are references to WST, unless otherwise stated.

Glossary

Defined terms and abbreviations used in this Prospectus are detailed in the glossary of terms in Section 9.

CORPORATE DIRECTORY

Directors

Peter Malone Executive Chairman
Phil Giglia Non-Executive Director
Craig Piercy Executive Director

Company Secretary

Mr Craig Piercy Company Secretary

Registered Office

32 Ord Street
West Perth WA 6005
Tel: +61 8 6311 1900
Fax: +61 8 6311 1999
Website: skinelementslimited.com

ASX Code: SKN

Auditor*

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Share Registry

Link Market Services Limited
QV1 Building
Level 12, 250 St Georges Terrace
Perth WA 6000

Telephone: 1300 554 474

Underwriter

State Securities Pty Ltd
Level 9 / 171 Latrobe Street
Melbourne Vic 3000

Lead Manager

Titan Securities Pty Ltd
PO Box Z5362
Perth St Georges Tce WA 6831

*This party is named for informational purposes only and was not involved in the preparation of this Prospectus.

INDICATIVE TIMETABLE

| Event | Date |
|-------------------------------------------------------------------------------------------------------------------|-------------------------|
| Announcement of the Entitlement Offer | 21 January 2020 |
| Lodgement of Prospectus with ASIC and provision of a copy to ASX | 5 February 2020 |
| Notice of Entitlement Offer sent to Optionholders and Shareholders | 5 February 2020 |
| 'Ex' Date | 10 February 2020 |
| Record Date (at 5.00pm WST) | 11 February 2020 |
| Prospectus dispatched to Eligible Shareholders | 14 February 2020 |
| Opening Date | 14 February 2020 |
| Closing Date (at 5.00pm WST) | 26 February 2020 |
| Securities quoted on 'deferred settlement basis' | 27 February 2020 |
| Announcement of results and notification of shortfall | 28 February 2020 |
| Anticipated issue date of New Shares (Issue Date) and lodge Appendix 2A application to ASX for quotation | 4 March 2020 |
| Dispatch of holding statements | 5 March 2020 |

The above timetable is indicative only and subject to change. Subject to the Listing Rules, the Directors reserve the right to vary these dates, including the Closing Date, without prior notice. Any extension of the Closing Date will have a consequential effect on the anticipated date for issue of the New Shares. The Directors also reserve the right not to proceed with the whole or part of the Offers at any time prior to allotment. In that event, the relevant Application Monies will be returned without interest in accordance with the Corporations Act.

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1. Investment overview

| Topic | Summary | Further information |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| What is the Entitlement Offer? | The Company is offering five (5) New Shares for every nine (9) Shares held by Eligible Shareholders on the Record Date at an issue price of \$0.01 per New Share (together with one (1) free attaching New Option (exercise price \$0.03, expiring 31 December 2020) for every three (3) New Shares issued). | Section 2.1 |
| What is the purpose of the Entitlement Offer? | <p>The purpose of the Entitlement Offer is to raise approximately \$1,004,796 (before costs).</p> <p>The funds raised from the Entitlement Offer will be used for the Company's business development program and for working capital purposes.</p> | Section 2.3 |
| What are the key investment highlights? | <ul style="list-style-type: none"> • Development of proprietary all natural and organic skincare and sun care products. • Scale manufacturing partner appointed. • Acquisition strategy to drive growth. • New product development and expanding product range and brand portfolio. • Expanding global market presence | Refer to the Company's announcements released to ASX including the 2019 Annual Report |
| What are key risks associated with an investment in the Company? | <p>Some of the key risks that may affect the Company are detailed below. This list is not exhaustive, and further details of these risks and other risks associated with an investment in the Company are detailed in Section 5.</p> <p>In undertaking its business activities, the Company will be exposed to risks which include, but are not limited to:</p> <ul style="list-style-type: none"> • Future capital requirements <p>The Company's capital requirements depend on numerous factors. The Company may require further financing in addition to amounts raised under the Offers. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If adequate funds are not available to satisfy either short or long-term capital requirements, the Company may be required to limit its operations significantly. There is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.</p> • Sunscreen regulatory requirements and Government legislation and policy changes <p>Sunscreens are classified as "therapeutic goods" in Australia to ensure quality, safety and efficacy and have strict controls for independent SPF testing and use of GMP. Similar regulations framework exists in most countries such as USA. Changes in relevant laws, regulations and government policies regarding the regulation of sunscreens or skin care products could adversely affect the Company's proposed operations, increase costs, or affect the financial performance or any future revenue of the Company</p> | Section 5 |

| Topic | Summary | Further information |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| | <ul style="list-style-type: none"> <li data-bbox="565 254 1133 281"> <p>• Competition and New Market Entrants Risks</p> <p>The Company participates in a highly competitive skin care market against materially larger, globally focussed competitors with significantly more access to capital and resources. Should any of the Company's competitors participate more aggressively on price, product, innovation or other means then this could have a material adverse impact on the Company's financial performance and future prospects of the business.</p> <li data-bbox="565 573 1057 600"> <p>• Manufacturing Risks and Regulations</p> <p>The process of manufacturing the Company's products is complex, highly regulated and subject to numerous quality assessments controls and procedures. This process may be subject to several manufacturing risks, including the following:</p> <ul style="list-style-type: none"> <li data-bbox="613 774 1203 888">○ deviations from normal manufacturing processes and controls could result in reduced production yields, product defects and other supply disruptions; <li data-bbox="613 905 1203 1045">○ the manufacturing facilities in which the Company's products are made could be adversely affected by equipment failures, labour shortages, natural disasters, power failures and numerous other factors; <li data-bbox="613 1062 1203 1404">○ the Company and its contract manufacturers must comply with the TGA regulations and guidelines. The Company and its contract manufacturers may encounter difficulties in achieving quality control and quality assurances to the standard required or, changes to the regulations and guidelines may require the Company to seek an alternative manufacturer, increase in costs or reduce volumes. There may be a shortage of persons qualified to administer the regulations and guidelines or may require additional training or qualifications; and <li data-bbox="613 1421 1203 1591">○ any adverse developments affecting manufacturing operations for the Company's products may result in shipment delays, inventory shortages, product withdrawals or recalls, or other interruptions in the supply of the Company's products. <li data-bbox="565 1608 748 1635"> <p>• Distribution</p> <p>The Company relies on a network of distributors in Australia and internationally. Should the Company fail to secure suitable formal distribution contracts or fail to engage suitable distributors, the distribution of the Company's products could be limited or restricted which could have a material adverse impact on the Company's financial performance and future prospects of the business.</p> | |

| Topic | Summary | Further information | | | | | | | | | | |
|--------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------|-----------------------------|------------------|--------------|------------------|------------------------------|------------------|------------|--------------|------------------------------------|
| Is the Entitlement Offer subject to a minimum subscription? | No. | Section 2.4 | | | | | | | | | | |
| Who can participate in the Entitlement Offer? | Eligible Shareholders, being Shareholders on the Record Date with a registered address in Australia, New Zealand, Hong Kong or China. | Section 2.1 | | | | | | | | | | |
| How do I accept my Entitlement? | All Eligible Shareholders are entitled to participate in the Entitlement Offer. If you wish to accept all or part of your Entitlement, you must complete your Entitlement and Acceptance Form that accompanies this Prospectus and send it to the Share Registry together with payment by cheque, bank draft or money order or follow the instructions to pay via BPAY®. | Section 4.1 | | | | | | | | | | |
| Is the Entitlement Offer renounceable? | No. The Entitlement Offer is non-renounceable, which means that Eligible Shareholders who do not wish to exercise all or a portion of their Entitlements may not sell their Entitlements on ASX. | Section 2.9 | | | | | | | | | | |
| Is the Entitlement Offer underwritten? | Yes, the Entitlement Offer is fully underwritten. | Section 2.7 | | | | | | | | | | |
| How will Shortfall be allocated? | <p>Shortfall Shares not applied for under the Entitlement Offer will form part of the Shortfall Offer and be allocated at the absolute discretion of the Directors, as follows:</p> <p>(a) Eligible Shareholders may apply for Shortfall Shares by completing the relevant section of their Entitlement and Acceptance Form.</p> <p>(b) If, following the allocation in paragraph (a), there remains a Shortfall, those unallocated Shortfall Shares will be allocated to other investor who apply under the Shortfall Offer.</p> <p>(c) If, following the allocation in paragraphs (a) and (b), there remains a Shortfall, those unallocated Shortfall Shares will be allocated to the Underwriter in accordance with the Underwriting Agreement.</p> <p>Shortfall Shares will be allocated within three months after the Closing Date.</p> | Section 2.6 | | | | | | | | | | |
| What is the effect of the Offers on the Company? | The maximum number of securities that may be issued under the Offer is approximately 100,479,601 New Shares and 33,492,200 New Options (assuming that no Options are exercised before the Record Date). | Section 3.1 | | | | | | | | | | |
| Key dates | <table> <tr> <td>Ex-Date</td> <td>10 February 2020</td> </tr> <tr> <td>Record Date (at 5.00pm WST)</td> <td>11 February 2020</td> </tr> <tr> <td>Opening Date</td> <td>14 February 2020</td> </tr> <tr> <td>Closing Date (at 5.00pm WST)</td> <td>26 February 2020</td> </tr> <tr> <td>Issue date</td> <td>4 March 2020</td> </tr> </table> | Ex-Date | 10 February 2020 | Record Date (at 5.00pm WST) | 11 February 2020 | Opening Date | 14 February 2020 | Closing Date (at 5.00pm WST) | 26 February 2020 | Issue date | 4 March 2020 | See Indicative Timetable on page 5 |
| Ex-Date | 10 February 2020 | | | | | | | | | | | |
| Record Date (at 5.00pm WST) | 11 February 2020 | | | | | | | | | | | |
| Opening Date | 14 February 2020 | | | | | | | | | | | |
| Closing Date (at 5.00pm WST) | 26 February 2020 | | | | | | | | | | | |
| Issue date | 4 March 2020 | | | | | | | | | | | |
| Enquiries concerning the Entitlement Offer | If you have any queries concerning your Entitlement please call the Skin Elements Entitlement Offer Information Line on 1300 554 474 within Australia or +61 1300 554 474 (from | Section 4.10 | | | | | | | | | | |

| Topic | Summary | Further information |
|----------------------------------------|---------------------------------------------------------------------------------------------------------|---------------------|
| | outside Australia) between 8:30am and 5:30pm (WST) Monday to Friday. | |
| Enquiries concerning Prospectus | Enquiries relating to this Prospectus should be directed to the Company Secretary on +61 (08) 6311 1900 | Section 2.22 |

2. Details of the Offers

2.1 Entitlement Offer

The Company is making a non-renounceable pro rata entitlement offer of five (5) New Shares for every nine (9) Shares held by Eligible Shareholders on the Record Date at an issue price of \$0.01 per New Share (together with one free attaching New Option (exercise price of \$0.03, expiring 31 December 2020) for every three New Shares issued) to raise approximately \$1,004,796 (before costs) (**Entitlement Offer**).

Under this Prospectus, Eligible Shareholders, being Shareholders on the Record Date with a registered address in Australia, New Zealand, Hong Kong or China are eligible to participate in the Entitlement Offer.

At the date of this Prospectus, the Company has on issue 180,863,281 Shares and 95,826,641 Options. Assuming no Options are exercised before the Record Date, approximately 100,479,601 New Shares and 33,493,200 attaching free New Options may be issued under the Entitlement Offer.

All of the New Shares will rank equally with the Shares on issue at the date of this Prospectus. Refer to Section 6.1 for a summary of the rights attaching to New Shares.

2.2 Purpose of Prospectus

The purpose of this Prospectus is to:

- (a) make the Entitlement Offer;
- (b) ensure that the on-sale of New Options do not breach section 707(3) of the Corporations Act; and
- (c) ensure that the on-sale of the underlying Shares to be issued upon the exercise of the New Options is in accordance with ASIC Corporations Instrument 2016/80.

2.3 Reasons for the Entitlement Offer and funding allocation

The purpose of the Entitlement Offer is to raise approximately \$1,004,796 (before costs).

The Company intends to apply the funds raised from the Offers as follows:

| Description | (A\$) |
|-------------------------------------------------------|--------------------|
| Business development, sales, marketing and operations | \$650,000 |
| Working capital | \$238,498 |
| Costs of the Offers | \$116,298 |
| TOTAL | \$1,004,796 |

The above table is a statement of the Board's intentions as at the date of this Prospectus. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

2.4 Minimum subscription

There is no minimum subscription for the Entitlement Offer.

2.5 Shortfall Offer

Any New Shares under the Entitlement Offer that are not applied for will form the Shortfall Shares. The offer to issue Shortfall Shares is a separate offer under this Prospectus (**Shortfall Offer**).

Under this Prospectus, the Company offers to issue the Shortfall Shares to investors at the same price of \$0.01 per New Share as that offered under the Entitlement Offer (together with one free attaching option for three New Shares issued). The Shortfall Shares will have the same rights as the New Shares as detailed in Section 6.1.

Eligible Shareholders may apply for Shortfall Shares by completing the relevant section of their Entitlement and Acceptance Form (refer to Section 4.3 for further details).

Other investors may also apply for Shortfall Shares by completing the Shortfall Application Form upon invitation from the Company.

Shortfall Shares may be allocated to any Eligible Shareholder or to other investors who applies for Shortfall Shares under the Shortfall Offer, at the absolute discretion of the Directors.

An Application for Shortfall Shares accompanied by payment of the Application Monies does not guarantee the allotment of any Shortfall Shares. The Shortfall Shares will be allocated within three months after the Closing Date.

In relation to the Shortfall Offer, the Company reserves the right to issue to an Applicant a lesser number of Shortfall Shares than the number applied for, reject an Application or not proceed with the issuing of the Shortfall Shares or part thereof. If the number of Shortfall Shares issued is less than the number applied for, surplus Application Monies will be refunded in full. Interest will not be paid on Application Monies refunded.

2.6 Shortfall allocation policy

Unless otherwise agreed between the Company and the Underwriter, if there is a Shortfall, the Company will allocate Shortfall Shares according to the following priority:

- (a) Shortfall Shares may be allocated to any Eligible Shareholders who apply for Shortfall Shares under the Shortfall Offer.
- (b) If following the allocation in paragraph (a), there remains a Shortfall, those unallocated Shortfall Shares will then be allocated to other investor who apply under the Shortfall Offer.
- (c) If following the allocation in paragraphs (a) and (b), there remains a Shortfall, those unallocated Shortfall Shares will then be allocated to the Underwriter in accordance with the Underwriting Agreement.

If there are remaining Shortfall Shares due to a default under or termination of the Underwriting Agreement, the Company reserves the right to proceed to allocate New Shares under the Offers and to issue the remaining Shortfall Shares within three months after the Closing Date at its absolute discretion.

Shortfall Shares will not be offered or issued to any Applicant if, in the view of the Directors, to do so would increase that Applicant's voting power in the Company above 19.9% or otherwise result in a breach of the Listing Rules, the Corporations Act or any other applicable law.

2.7 Underwriting

The Entitlement Offer is fully underwritten by State Securities Pty Ltd pursuant to the underwriting Agreement. Refer to Section 3.3 for details of the Underwriting Agreement.

The Entitlement is Lead Managed by Titan Securities Pty Ltd pursuant to the Lead Manager Agreement. Refer to Section 3.2 for details of the Lead Manager Agreement.

2.8 Entitlements and acceptance

The Entitlement of Eligible Shareholders to participate in the Entitlement Offer is determined on the Record Date. Your Entitlement is shown on the Entitlement and Acceptance Form accompanying this Prospectus.

Acceptance of a completed Entitlement and Acceptance Form and Application Monies by the Company creates a legally binding contract between the Applicant and the Company for the number of New Shares accepted by the Company. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of New Shares.

If an Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

2.9 No rights trading

The rights to New Shares under the Entitlement Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for New Shares under the Entitlement Offer to any other party. If you do not take up your Entitlement by the Closing Date, your Entitlement will lapse.

2.10 Opening and closing dates

The Company will accept Entitlement and Acceptance Forms in respect of the Entitlement Offer from Eligible Shareholders from the Opening Date until 5.00pm (WST) on the Closing Date or such other date as the Directors shall determine, subject to the Listing Rules.

Payment made by BPAY® must be received no later than 5.00pm (WST time) on the Closing Date. It is the responsibility of all Eligible Shareholders to ensure that their BPAY® payments are received by the Company on or before the Closing Date.

2.11 Risks of the Offers

As with any securities investment, there are risks associated with investing in the Company. However, having regard to the matters detailed in Section 5, Eligible Shareholders, other investors and the Underwriter should be aware that an investment in the New Shares should be considered highly speculative and there exists a risk that you may, in the future, lose some or all of the value of your investment.

Before deciding to invest in the Company, investors should read this Prospectus in its entirety, in particular the specific risks associated with an investment in the Company (detailed in Section 5), and should consider all factors in light of their personal circumstances and seek appropriate professional advice.

2.12 Application Forms and BPAY® payments

Acceptance of a completed Application Form, or alternatively, a BPAY® payment, by the Company creates a legally binding contract between the Applicant and the Company for the number of New Shares accepted by the Company. The Application Form does not need to be signed to be a binding acceptance of New Shares.

If the Application Form is not completed correctly it may still be treated as valid. The Directors' decision whether to treat a completed Application Form as valid and how to construe, amend or complete the Application Form is final.

2.13 Issue and Dispatch

It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. Applicants who sell the New Shares before they receive their holding statements will do so at their own risk.

The expected dates for issue of New Shares and dispatch of holding statements are expected to occur on the dates specified in the Indicative Timetable.

As detailed in Section 2.6, if there are remaining Shortfall Shares due to a default under or termination of the Underwriting Agreement, the Company reserves the right to proceed to allocate New Shares under the Entitlement Offer and to issue the remaining Shortfall Shares within three months after the Closing Date at its absolute discretion.

2.14 Application Monies held on trust

All Application Monies will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the New Shares are issued. All Application Monies will be returned (without interest) in accordance with the Corporations Act if the New Shares are not issued.

2.15 ASX quotation

Application will be made to ASX no later than five days after the closing of this offer for Official Quotation of the New Shares. If ASX does not grant Official Quotation of the New Shares within three months after the date of this Prospectus (or such period as the ASX allows), no New Shares will be issued or allotted under the Entitlement Offer and the Company will return all Application Monies without interest in accordance with the Corporations Act.

ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may grant Official Quotation is not to be taken in any way as an indication of the merits of the Company or the New Shares.

2.16 Withdrawal

The Directors may at any time decide to withdraw this Prospectus and the Offers, in which case, all Application Monies will be returned without interest in accordance with the Corporations Act.

2.17 CHES

The Company participates in the Clearing House Electronic Subregister System, known as CHES. ASX Settlement, a wholly owned subsidiary of ASX, operates CHES in accordance with the Listing Rules and Securities Clearing House Business Rules.

Under CHES, Applicants will not receive a certificate but will receive a statement of their holding of New Shares.

If you are broker sponsored, ASX Settlement will send you a CHES statement.

The CHES statement will set out the number of New Shares issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the New Shares.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by the Share Registry and will contain the number of New Shares issued to you under this Prospectus and your security holder reference number.

A CHES statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

2.18 Ineligible Shareholders

The Entitlement Offer is not being extended to Shareholders with a registered address outside Australia, New Zealand, Hong Kong or China. The Company is of the view that it is unreasonable to make the Entitlement Offer to Shareholders outside Australia, New Zealand, Hong Kong or China, having regard to:

- (a) the number of those Shareholders;
- (b) the number and value of New Shares to be offered to those persons; and
- (c) the cost of complying with overseas legal requirements.

This Prospectus and the Entitlement and Acceptance Form do not, nor are they intended to, constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. The Company is not required to extend the Entitlement Offer under this Prospectus to Shareholders other than in Australia, New Zealand, Hong Kong and China. Where this Prospectus has been dispatched to Shareholders domiciled outside Australia, New Zealand, Hong Kong or China, and where the country's securities code or legislation prohibits or restricts in any way the making of the Entitlement Offer, this Prospectus is provided for information purposes only.

Shareholders resident in Australia, New Zealand, Hong Kong or China holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Entitlement Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

2.19 Taxation implications

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for the New Shares.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. Applicants should consult their own professional tax adviser to obtain advice in relation to the taxation laws, regulations and implications applicable to their personal circumstances.

2.20 Major activities and financial information

A summary of the major activities and financial information relating to the Company for the financial year ended 30 June 2019 is contained in the Company's 2019 Annual Report which is available on the Company's website at www.skinelementslimited.com.

The Company's continuous disclosure notices (i.e. ASX announcements) since the lodgement of its Annual Report for the year ended 30 June 2019 with ASX on 31 October 2019, are detailed in Section 7.1.

Copies of these documents are available free of charge from the Company or the Company's website: www.skinelementslimited.com. The Directors strongly recommend that Applicants review these and all other announcements prior to deciding whether or not to participate in the Offers.

2.21 Privacy

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes detailed in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on Application Form, the Company may not accept or process your Application.

An Applicant has an entitlement to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

2.22 Enquiries concerning Prospectus

Enquiries relating to this Prospectus should be directed to the Company Secretary on +61 (08) 6311 1900.

3. Effect of the Offers

3.1 Capital structure on completion of the Offers

On the basis that the Company completes the Offers, the Company's capital structure will be as follows:

| | Number of Shares | Number of Options | Number of Performance Rights |
|-------------------------------------------|----------------------------|------------------------------|------------------------------|
| Balance as at the date of this Prospectus | 180,863,281 ⁽¹⁾ | 95,826,641 ⁽¹⁾⁽²⁾ | 49,200,000 ⁽³⁾ |
| Entitlement Offer | 100,479,601 ⁽⁴⁾ | 33,493,200 ⁽⁴⁾ | |
| Lead Manager Fee | 2,500,000 | 0 | |
| TOTAL | 283,842,882 | 136,419,574 | 49,200,000 |

Notes:

1. Includes shares and options issued as set out in Appendix 2A dated 5 February 2020
2. Comprising:
 - (i) 95,488,641 quoted options exercisable at \$0.10 on or before 31 December 2020; and
 - (ii) 338,000 unquoted options exercisable at \$0.22 on or before 6 March 2020;
3. Comprising Performance Rights as set out in the Company's 2019 Annual Report and 2019 Notice of Annual General Meeting
4. The New Shares issued under the Offers will represent approximately 31.9% of the fully diluted issued share capital of the Company following the Offers.

3.2 Lead Management Agreement

The Company entered into an agreement (**Lead Manager Agreement**) with Titan Securities Pty Ltd (**Titan**) on 16 January 2020 to Lead Manage the Entitlement Offer.

Pursuant to the Lead Manager Agreement, Titan will assist in the management of the Entitlement Offer process. Titan has no obligation to subscribe for, or procure subscriptions for any Shortfall Securities.

Titan will be paid a fee equal to 7% of the Underwritten Amount (**Lead Manager Fee**) which will be paid in cash. The Company will also issue 2,500,000 Shares to Titan or its nominees subject to the Company's constitution and ASX Listing Rules including any shareholder approvals if required.

3.3 Underwriting Agreement

The Entitlement Offer is fully underwritten by State Securities Pty Ltd (**State Securities**) pursuant to an underwriting agreement dated 16 January 2020 (**Underwriting Agreement**).

Pursuant to the terms of the Underwriting Agreement, the Underwriter has an obligation to subscribe for, or procure subscriptions for, the Shortfall Securities remaining after the Company has determined which New Securities it will issue in accordance with the allocation policy details in Section 2.6, at the issue price of \$0.01 each.

The obligations of the Underwriter with respect to the Entitlement Offer are not subject to any conditions precedent, nor is there any ability for the Underwriter or the Company to terminate the Underwriting Agreement.

The Underwriter will be paid an underwriting fee equal to 1% of the Underwritten Amount (**Underwriting Fee**) which will be paid in cash by way of a deduction from the gross proceeds raised under the Entitlement Offer. The Company understands that the Underwriter will endeavour to procure sub-underwriting commitments for all or part of the underwritten Shortfall Securities.

The Underwriter will be reimbursed for reasonable expenses incurred in undertaking its role as Underwriter in the Entitlement Offer.

The Underwriting Agreement contains other terms and conditions including warranties and representations given by the Company and the Underwriter.

3.4 Dilution and Effect on Control of the Company

(a) Potential Dilution Effect

Shareholders should note that if they do not participate in the Entitlement Offer, their holdings will be diluted. Examples of how the dilution may impact Eligible Shareholders are detailed in the table below:

| Shareholder | Shareholding as at Record Date | % at Record Date | Entitlements under the Entitlement Offer | Shareholding if Shareholder does not participate in the Entitlement Offer | % post Entitlement Offer ⁽¹⁾ |
|---------------|--------------------------------|------------------|------------------------------------------|---------------------------------------------------------------------------|-----------------------------------------|
| Shareholder 1 | 50,000 | 0.028% | 27,778 | 50,000 | 0.018% |
| Shareholder 2 | 100,000 | 0.056% | 55,556 | 100,000 | 0.036% |
| Shareholder 3 | 250,000 | 0.138% | 138,889 | 250,000 | 0.089% |
| Shareholder 4 | 500,000 | 0.276% | 277,778 | 500,000 | 0.178% |
| Shareholder 5 | 750,000 | 0.414% | 416,667 | 750,000 | 0.264% |

Note:

- The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are taken up by the Underwriter or placed under the Shortfall Offer.
- This number assumes that no Options are exercised before the Record Date.

(b) Current Substantial Shareholders

As at the date of the Prospectus, the Company has the following substantial shareholders:

| Shareholder | Shareholding as at the date of this Prospectus | % at Record Date |
|-------------------------------|------------------------------------------------|------------------|
| Sovereign Empire Pty Ltd | 15,196,172 | 8.40% |
| Lakehouse Enterprises Pty Ltd | 14,198,848 | 7.78% |
| Sovereign Equities Pty Ltd | 12,154,130 | 6.72% |
| Prosperity Finance Co Limited | 10,000,500 | 5.53% |
| MGold Pty Ltd | 9,112,572 | 5.04% |

(c) Effect on Control of the Company

At the date of this Prospectus, the Underwriter has no relevant interest in any Shares and is not a related party of the Company for the purposes of the Corporations Act.

The Entitlement Offer is fully underwritten by the Underwriter pursuant to the Underwriting Agreement. Assuming no Shareholders take up their Entitlements (which is unlikely), the theoretical

maximum number of Shares that may be held by the Underwriter following completion of the Offers is 100,479,601 (representing a voting power of 35.7%).

Under the terms of the Underwriting Agreement, the Underwriter has the ability to appoint sub-underwriters to the Entitlement Offer. The Underwriter has warranted to the Company that neither the Underwriter nor any sub-underwriter appointed by the Underwriter, will acquire a voting power in the Company of more than 19.9%. Accordingly, if the level of acceptances under the Entitlement Offer is such that the Underwriter is required to subscribe for a number of Shortfall Shares, which, if subscribed for, would give it a voting power in excess of 19.9%, the Underwriter will be required to allocate a number of Shortfall Shares to sub-underwriter(s) to ensure that this threshold is not exceeded.

The following table shows the number of Shares held by, and approximate voting power of, the Underwriter and substantial shareholders after completion of the Entitlement Offer at various levels of acceptance of Entitlements:

| | 100% acceptance of Entitlements ¹ | | 75% acceptance of Entitlements ¹ | | 50% acceptance of Entitlements ¹ | | 0% acceptance of Entitlements ¹ | |
|--------------------------------------------|----------------------------------------------|------------------|---------------------------------------------|------------------|---------------------------------------------|------------------|--------------------------------------------|------------------|
| | Number of Shares | Voting Power (%) | Number of Shares | Voting Power (%) | Number of Shares | Voting Power (%) | Number of Shares | Voting Power (%) |
| Underwriter ² | 0 | 0.0 | 25,119,900 | 8.9 | 50,239,800 | 17.8 | 100,479,601 | 35.7 |
| Sovereign Empire Pty Ltd ³ | 23,638,490 | 8.3 | 21,527,910 | 7.6 | 19,417,331 | 6.8 | 15,196,172 | 5.3 |
| Lakehouse Enterprises Pty Ltd ³ | 22,087,097 | 7.8 | 20,115,035 | 7.1 | 18,142,972 | 6.4 | 14,198,848 | 5.0 |
| Sovereign Equities Pty Ltd ³ | 18,906,425 | 6.7 | 17,218,351 | 6.1 | 15,530,278 | 5.5 | 12,154,130 | 4.3 |
| Prosperity Finance Co Limited ³ | 15,556,333 | 5.5 | 14,167,375 | 5.0 | 12,778,417 | 4.5 | 10,000,500 | 3.5 |
| MGold Pty Ltd ³ | 14,175,112 | 5.0 | 12,909,477 | 4.5 | 11,643,842 | 4.1 | 9,112,572 | 3.2 |

Note:

1. The above calculations are on an undiluted basis.
2. The above calculations assume that none of the Shortfall is allocated to any sub-underwriter, any Eligible Shareholder or third party investors in accordance with the Shortfall allocation policy (see section 2.6 for further details).
3. Substantial shareholders Sovereign Empire Pty Ltd, Lakehouse Enterprises Pty Ltd, Sovereign Equities Pty Ltd, Prosperity Finance Co Limited and MGold Pty Ltd are being treated the same as all other Shareholders i.e. that they will be diluted in accordance with taking up 100%, 75%, 50% or 0% of their Entitlement.
4. This number assumes that no Options are exercised before the Record Date.

The number of Shares held by the Underwriter and its voting power in the table above shows the potential effect of the underwriting of the Entitlement Offer. However, it is unlikely that no Eligible Shareholder will take up their Entitlement under the Entitlement Offer. Further, the underwriting obligation and therefore the voting power of the Underwriter will also be reduced by a corresponding amount for the amounts of Shortfall taken up by Eligible Shareholders, third party investors and any sub-underwriters.

Under section 606 of the Corporations Act, a person cannot acquire a relevant interest in the issued voting shares of a company if, because of a transaction in relation to securities of that company, a person's voting power in the company increases from 20% or below to more than 20% (or from a starting point that is above 20% and below 90%).

There are certain exceptions to the above prohibition in section 611 of the corporations Act. Item 13 of section 611 of the Corporations Act (Underwriting Exception) provides an exception for an acquisition pursuant to a rights issue if the following conditions are satisfied:

- the issue is to a person as underwriter to the issue or sub-underwriter; and

- the effect that the acquisition would have on the person's voting power in the company is disclosed.

The table above indicates that the underwriting of the Entitlement Offer by the Underwriter may result in the Underwriter increasing its voting power to more than 20% of the issued share capital of the Company. This would result in a greater percentage of the Shares being concentrated in a single shareholding group which may:

- dissuade potential acquirers of the Company from making a takeover offer in the future, which may adversely affect the Company's share price and reduce the opportunity for Shareholders to receive a takeover premium in the future; and
- lower the free float of the Company's shares (on a proportional basis), which may reduce liquidity and adversely affect the market value of the Shares.

3.5 Pro-forma statement of financial position

Set out on the following pages are the Company's Consolidated Statement of Financial Position as at 30 November 2019 (unaudited) and the Company's Pro-Forma Consolidated Statement of Financial Position as at 30 November 2019 (unaudited) (**Statements**).

The Statements are presented in abbreviated form insofar as they do not include all the disclosures that are present in annual financial reports as required by Australian Accounting Standards. The significant accounting policies that underpin the Statements are the same policies as those outlined in the Company's Annual Report ended 30 June 2019.

The Pro-Forma Statement of Financial Position has been prepared on the basis that there are no material movements in the assets and liabilities of the Company between 30 November 2019 and the completion of the Entitlement Offer except for:

- at full subscription of the Entitlement Offer, the issue of New Shares at \$0.01 each to raise approximately \$1,004,796; and
- estimated costs of the Offers of \$116,298.

No allowance has been made for expenditure incurred in the normal course of business from 30 November 2019 to the Closing Date.

UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2019

| | Unaudited as at 30/11/2019 | Adjustments Proforma | Unaudited Proforma as at 30/11/2019 |
|-------------------------------------|-------------------------------|-------------------------|----------------------------------------|
| | \$ | \$ | \$ |
| Current Assets | | | |
| Cash and cash equivalents | \$160,758 | \$888,498 | \$1,409,254 |
| Trade receivables | \$9,757 | | \$9,757 |
| Other receivables | \$0 | | \$0 |
| Inventories | 24,244 | | 24,244 |
| Research and development receivable | \$212,430 | | \$212,430 |
| Total Current Assets | \$458,234 | \$888,498 | \$1,346,731 |
| Non Current Assets | | | |
| Intangible assets | \$8,960,434 | \$0 | \$8,960,434 |
| Total Non Current Assets | \$8,960,434 | \$0 | \$8,960,434 |
| Total Assets | \$9,418,668 | \$888,498 | \$10,307,168 |
| Current Liabilities | | | |
| Trade and other payables | \$137,239 | | \$137,239 |
| Borrowings - related parties | \$447,486 | | \$447,486 |
| Total Current Liabilities | \$584,725 | 0 | \$584,725 |
| Total Liabilities | \$584,725 | 0 | \$584,725 |
| Net Assets | \$8,833,944 | \$888,498 | \$9,722,442 |
| Shareholders Equity | | | |
| Issued Capital | \$16,113,323 | \$888,498 | \$17,001,820 |
| Reserves | \$312,338 | | \$312,338 |
| Accumulated losses | \$(7,591,717) | | \$(7,591,717) |
| Total Shareholders Equity | \$8,833,944 | \$888,498 | \$9,722,442 |

The following adjustments have been made to the unaudited 30 November 2019 financial position:

1. Entitlement Offer

100,479,601 New shares @ \$0.01 per New Share

\$1,004,796

2. Costs of the Entitlement Offer

ASIC Fee

\$3,206

ASX quotation fee

\$5,708

Underwriting Fee

\$10,048

Lead Manager Fee

\$70,336

Legal Expenses

\$20,000

Share Registry processing

\$4,500

Printing and other expenses

\$2,500

4. Action required by Applicants

4.1 Eligible Shareholders

Your entitlement to participate in the Entitlement Offer will be determined on the Record Date. The number of New Shares which Eligible Shareholders are entitled to is shown on the accompanying Entitlement and Acceptance Form.

If you do not take up your Entitlement, then your percentage holding in the Company will be diluted.

If you are an Eligible Shareholder you may:

- (a) take up all of your Entitlement in accordance with this Prospectus;
- (b) take up all of your Entitlement and apply for New Shares in excess of your Entitlement by applying for Shortfall Shares in accordance with this Prospectus;
- (c) take up part of your Entitlement in accordance with this Prospectus and allow the balance of your Entitlement to lapse; or
- (d) decline to exercise all your Entitlement and allow it to lapse.

If you are an Eligible Shareholder and wish to take up all or part of your Entitlement:

- (a) carefully read this Prospectus in its entirety;
- (b) consider the risks associated with the an investment in the Company (refer to Section 5) in light of your personal circumstances;
- (c) complete the personalised Entitlement and Acceptance Form in accordance with the instructions detailed on the form; and
- (d) return the completed Entitlement and Acceptance Form together with the Application Monies (in full) in accordance with Section 4.7, to the following address so that it is received by no later than 5:00pm (WST) on the Closing Date:

| Mailing Address | Hand Delivery |
|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Skin Elements Limited C/- Link Market Services Limited Reply Paid 1510 SYDNEY SOUTH NSW 1234 | Skin Elements Limited C/- Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138 |

4.2 Acceptance of all of your Entitlement

If you wish to accept all of your Entitlement, then applications for New Shares under this Prospectus must be made on the Entitlement and Acceptance Form in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the personalised Entitlement and Acceptance Form in accordance with the instructions detailed on the form and return the completed form, together with the Application Monies (in full), in accordance with Section 4.7 to the Share Registry so that it is received at the following address by no later than 5:00pm (WST) on the Closing Date:

| Mailing Address | Hand Delivery |
|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Skin Elements Limited C/- Link Market Services Limited Reply Paid 1510 SYDNEY SOUTH NSW 1234 | Skin Elements Limited C/- Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138 |

4.3 Acceptance of all of your Entitlement and applying for Shortfall Shares

If you wish to accept all of your Entitlement and apply for New Shares in excess of your Entitlement by applying for Shortfall Shares, then applications for Shortfall Shares must be made by completing the relevant sections on the Entitlement and Acceptance Form, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the personalised Entitlement and Acceptance Form in accordance with the instructions detailed on the form and return the completed form, together with the Application Monies (in full), in accordance with Section 4.7 to the Share Registry so that it is received at the following address by no later than 5:00pm (WST) on the Closing Date:

| Mailing Address | Hand Delivery |
|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Skin Elements Limited C/- Link Market Services Limited Reply Paid 1510 SYDNEY SOUTH NSW 1234 | Skin Elements Limited C/- Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138 |

4.4 Acceptance of part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement and allow the balance to lapse, complete the personalised Entitlement and Acceptance Form in accordance with the instructions detailed on the form, including the number of New Shares you wish to accept and the Application Monies and return the completed Entitlement and Acceptance Form together with the Application Monies (in full) in accordance with Section 4.7 to the Share Registry so that it is received at the following address by no later than 5:00pm (WST) on the Closing Date:

| Mailing Address | Hand Delivery |
|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Skin Elements Limited C/- Link Market Services Limited Reply Paid 1510 SYDNEY SOUTH NSW 1234 | Skin Elements Limited C/- Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138 |

If you take no further action, the balance of your Entitlement will lapse.

4.5 Allow your Entitlement to lapse

If you do not wish to accept any of your Entitlement, you are not obliged to do anything.

The number of Shares you currently hold and the entitlement attaching to those Shares will not be affected should you choose not to accept any part of your Entitlement.

4.6 Ineligible Shareholders

If you are an Ineligible Shareholder, you may not accept any of, or do anything in relation to, your Entitlement. Refer to Section 2.18 for treatment of Ineligible Shareholders.

4.7 Payment

The offer price of New Shares under the Entitlement Offer and Shortfall Offer is \$0.01 per New Share.

Application Monies must be received by the Company by 5.00pm (WST) on the Closing Date.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque, bank draft or money order drawn in Australian dollars, made payable to 'Skin Elements Limited' and crossed 'Not Negotiable'.

Eligible Shareholders participating in the Entitlement Offer, and who wish to pay via BPAY® must follow the instructions on the Entitlement and Acceptance Form. You will be deemed to have accepted all or part of your Entitlement (as applicable) upon receipt of the BPAY® payment by the Company.

If paying via BPAY®, Eligible Shareholders should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of Eligible Shareholders to ensure that funds are submitted through BPAY® by the date and time mentioned above. If you elect to pay via BPAY®, you must follow the instructions for BPAY® set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

The Company shall not be responsible for any postal or delivery delays, or delay in the receipt of the BPAY® payment.

4.8 Representations by Applicants

By completing and returning an Entitlement and Acceptance Form or paying any Application Monies by BPAY®, in addition to the representations set out elsewhere in this Prospectus and the Entitlement and Acceptance Form, you:

- (a) if participating in the Entitlement Offer, represent to the Company that you are an Eligible Shareholder;
- (b) acknowledge that you have received a copy of this Prospectus and an accompanying Entitlement and Acceptance Form, and read them both in their entirety;
- (c) agree to be bound by the terms of the Offers, the provisions of this Prospectus and the Constitution;
- (d) authorise the Company to register you as the holder(s) of the New Shares allotted to you;
- (e) declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- (f) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- (g) acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application Monies, the Application may not be varied or withdrawn except as required by law;
- (h) agree to accept and be issued up to the number of New Shares specified in the Entitlement and Acceptance Form at the issue price of \$0.01 per New Share;
- (i) authorise the Company and its respective officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in the Entitlement and Acceptance Form;
- (j) declare that you were the registered holder at 5.00pm (WST) on the Record Date of the Shares indicated on your personalised Entitlement and Acceptance Form as being held by you at 5.00pm (WST) on the Record Date;
- (k) acknowledge the statement of risks in Section 5 and that an investment in the Company is subject to risk;
- (l) represent and warrant that the law of any place does not prohibit you from being given this Prospectus and the Entitlement and Acceptance Form, nor does it prohibit you from accepting New Shares and that if you participate in the Offers, that you are eligible to do so;
- (m) if you are in the People's Republic of China, you are a (i) "qualified domestic institutional investor" as approved by the relevant PRC regulatory authorities to invest in overseas capital markets or (ii) sovereign wealth fund or quasi-government investment fund that has the authorisation to make overseas investment; and
- (n) represent and warrant that you are not in the United States and you are not acting for the account or benefit of a person in the United States.

4.9 Brokerage

No brokerage or stamp duty is payable by Eligible Shareholders who accept their Entitlement.

4.10 Enquiries concerning your Entitlement

If you have any queries concerning your Entitlement please call the Skin Elements Entitlement Offer Information Line on 1300 554 474 within Australia or +61 1300 554 474 (from outside Australia) between 8:30am and 5:30pm (WST) Monday to Friday.

5. Risks

The proposed future activities of the Company are subject to a number of risks and other factors which may impact the financial performance of the Company and the value of its securities. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, many of the risks are outside the control of the Company and cannot be mitigated.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which investors need to be aware of in evaluating the Company's business and the risks of investing in the Company. Potential investors should carefully consider the following factors in addition to the other information presented in this Prospectus.

5.1 Risks in Respect of the Company's Operations

(a) Sunscreen Regulatory Requirements and Government legislation and policy changes

Sunscreens are classified as "therapeutic goods" in Australia to ensure quality, safety and efficacy and have strict controls for independent SPF testing and use of GMP. Similar regulations framework exists in most countries such as USA (Food and Drug Administration – FDA). Soléo Organics has been approved for sale by key regulatory bodies such as the TGA (Australia and New Zealand), the FDA (USA), Health Canada (Canada). The Company also has approvals to sell into the European Union. Changes in relevant laws, regulations and government policies regarding the regulation of sunscreens or skincare products could adversely affect the Company's proposed operations, increase costs, or affect the financial performance or any future revenue of the Company.

(b) Competition Risks

The Company participates in a highly competitive skin care market against materially larger, globally focussed competitors with significantly more access to capital and resources. Should any of the Company's competitors participate more aggressively on price, product, innovation or other means then this could have a material adverse impact on the Company's financial performance and future prospects of the business.

Existing competitors may take steps to compete or hinder the Company's plans to market launch, commercialise and distribute its products and make take steps to cause downward price pressure on unit prices, thus potentially reducing margins and revenues available to the Company.

There is also no guarantee that existing competitors will not release further competing products to the Company's existing product portfolio which may impact upon demand for the Company's products.

(c) New market entrants providing organic and natural skin care products

While the research and development of all organic and natural skin care products requires considerable time, expertise, skill and process, competition for the Company's products may come from global and local skin care companies entering both the Australian market and international markets identified by the Company that currently do not provide all natural and organic skin care products to their customers. This could reduce the addressable market available to the Company, or increase competition or cause margin reductions available to the Company.

(d) Change in Regulations

There is a risk that laws or regulations may be introduced or amended in Australia, or in foreign jurisdictions in which the Company's sells, or sources its ingredients or products.

Changes to the regulatory environment could have a material effect in a number of ways. For example, the financial and production effects resulting from changing requirements to:

- (i) product packaging or labelling requirements as a requirement of regulatory medicine content disclosures; or

- (ii) restrictions that prevent or restrict access to markets by amendments to regulations governing the export or importation of products.

While the Directors are not aware of any current issues, or any impending regulatory change in relevant markets, there is the potential for any such measures to materially reduce the Company's revenues or increase its costs.

(e) Manufacturing Risks and Regulations

The process of manufacturing the Company's products is complex, highly regulated and subject to numerous quality assessments controls and procedures. This process may be subject to several manufacturing risks, including the following:

- (i) deviations from normal manufacturing processes and controls could result in delays in production, reduced production yields, product defects and other supply disruptions;
- (ii) the manufacturing facilities in which the Company's products are made could be adversely affected by equipment failures, labour shortages, natural disasters, power failures and numerous other factors;
- (iii) the Company and its contract manufacturers must comply with the TGA regulations and guidelines. The Company and its contract manufacturers may encounter difficulties in achieving quality control and quality assurances to the standard required or, changes to the regulations and guidelines may require the Company to seek an alternative manufacturer, increase in costs or reduce volumes. There may be a shortage of persons qualified to administer the regulations and guidelines or may require additional training or qualifications. The Company and its contract manufacturers are subject to inspections by the TGA and comparable agencies in other jurisdictions to confirm compliance with applicable regulatory requirements. Any failure to follow TGA or other regulatory requirements or any delay, interruption or other issues that arise in the manufacture, packaging, or storage of the Company's products as a result of a failure of the Company's facilities or the facilities or operations of third parties to comply with regulatory requirements or pass any regulatory authority inspection could significantly impair the Company's ability to develop and commercialise the Company's products. Significant non-compliance could also result in the imposition of sanctions, including fines, injunctions, civil penalties, failure of regulatory authorities to grant marketing approvals for the Company's products, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could damage the Company's reputation. If the Company is not able to maintain regulatory compliance, the Company may not be permitted to market its products or may be subject to product recalls, seizures, injunctions, or criminal prosecution; and
- (iv) any adverse developments affecting manufacturing operations for the Company's products may result in shipment delays, inventory shortages, product withdrawals or recalls, or other interruptions in the supply of the Company's products. The Company may also have to take inventory write-offs and incur other charges and expenses for products that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives.

The Company currently only utilises two TGA approved manufacturer across the product range. Accordingly, there is a concentration of manufacturing with each provider, in relation to each product line. There are no minimum production commitments in place between the Company and its manufacturer, although the parties have worked together for many years. The manufacturer has advised that they currently have sufficient capacity to manufacture the Company's products in the near future.

There is also a requirement that manufacturers producing the Company's products must comply with TGA regulations. There is a risk that for some reason outside the Company's control that its manufacturer(s) could lose their regulatory approvals.

Should there be a disruption with this particular manufacturer or others, or the manufacturer elects not to continue manufacturing the Company's products, then this could have a material adverse impact on the Company's ability to meet consumer demand and may impact the financial performance and future prospects of the business. However, this risk can be mitigated as there are also numerous other TGA approved manufacturing facilities in Australia and overseas.

(f) Raw Ingredients Supply

The availability of organic and natural materials to meet the growing production plans of the Company's products is a critical part of supply chain management. Should there be interruptions in the Company's ingredient supply chain or economic or environment events impacting the availability of these raw materials then this could have a material adverse impact on the Company's ability to meet consumer demand and impact the financial performance and future prospects of the business.

(g) Distribution

The Company relies on a network of distributors in Australia and internationally including New Zealand, Japan and Europe. The Company distributes its products both locally in Australia and internationally through distributors in these jurisdictions. Should the Company fail to secure suitable formal distribution contracts or fail to engage suitable distributors, or should engaged contracts default or fail to deliver, the distribution of the Company's products could be limited or restricted which could have a material adverse impact on the Company's financial performance and future prospectus of the business.

(h) Brand and Reputation

The Company's Intellectual Property is a key asset of its business. The reputation and value associated with the Company's brand names and related Intellectual Property could be adversely affected by a number of factors, including failing to provide customers with the quality of product they expect, contamination or recall issues, disputes or litigation with third parties, employees, suppliers or customers, or adverse media coverage (including social media), or other circumstances including those beyond the direct control of the Company.

Significant erosion in the reputation of, or value associated with the Company's brands, could have an adverse effect on customer loyalty, relationships with key suppliers, employee retention rates, and overall demand for the Company's products.

(i) Unable to adequately prevent disclosure of Intellectual Property

The Company relies on trade secrets to protect its Intellectual Property, especially where the Company does not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. The Company relies in part on confidentiality agreements with its employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to protect the Intellectual Property. These agreements may not effectively prevent disclosure of confidential information and the Intellectual Property and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information or the Intellectual Property. In addition, others may independently discover the Intellectual Property. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the Intellectual Property. Failure to obtain or maintain trade secret protection, or failure to adequately protect the Intellectual Property could enable competitors to develop generic products or use the Intellectual Property to develop other products that compete with the Company's products or cause additional, material adverse effects upon the Company's business, results of operations and financial condition.

(j) Claims by third parties that the Company has infringed their proprietary rights

Because patent applications are maintained in secrecy until the application is published, the Company may be unaware of third party patents that may be infringed by commercialisation of the Company's product. In addition, identification of third party patent rights that may be relevant to the Company's products and technology is difficult because patent searching is imperfect due to differences in terminology among patents, incomplete databases and the difficulty in assessing the meaning of patent claims. Any claims of patent infringement asserted by third parties would be time consuming and could likely:

- (i) result in costly litigation;
- (ii) divert the time and attention of the Company's technical personnel and management;
- (iii) cause development delays;
- (iv) prevent the Company from commercialising its products until the asserted patent expires or is held finally invalid or not infringed in a court of law;
- (v) require the Company to develop non-infringing products; or
- (vi) require the Company to enter into royalty or licensing agreements.

Although no third party has asserted a claim of patent infringement against the Company, others may hold proprietary rights that could prevent the Company's products from being marketed. Any patent-related legal action against the Company claiming damages and seeking to enjoin commercial activities relating to the Company's products could subject the Company to potential liability for damages and require the Company to obtain a license to continue to manufacture or market the Company's products. The Company cannot predict whether the Company would prevail in any such actions or that any license required under any of these patents would be made available on commercially acceptable terms, if at all. In addition, the Company cannot be sure that the Company could re-design its products to avoid infringement, if necessary. Accordingly, an adverse determination in a judicial or administrative proceeding, or the failure to obtain necessary licenses, could prevent the Company from developing and commercialising its products, which could harm its business, financial condition and operating results.

(k) Loss of key personnel

In the short term until a suitable team is put in place, the Company's success depends to a significant extent on its key personnel, in particular Mr Peter Malone and Mr Leo Fung. Peter and Leo have extensive experience in, and knowledge of, the Company's products and business. The loss of key management personnel or any delay in their replacement could have a significant adverse effect on the management of the Company, its financial performance and future prospects.

(l) Product Contamination and Recall

As a producer of natural skin care products, the Company is subject to a general risk that any product contamination or product recall issue (however caused) could have a material adverse effect on the Company's brand and thus its financial performance. The Company and its manufacturer employ a number of measures to minimise the risk in this area (such as requiring manufacturers to have current TGA and GMP accreditation and the Company having in place appropriate insurances).

(m) Foreign Exchange

The Company distributes its products both in Australian and overseas. As distribution networks grow and further expand into USA, Canada, Japan and other countries, it is anticipated that more business will be conducted in foreign currencies. Hence, foreign currency risk may become more relevant over time.

(n) Insurance

The Company insures its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be available or of a nature or

level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company. In addition, there is a risk that an insurer defaults in the payment of a legitimate claim by the Company.

(o) Contractual Disputes

As with any contract, there is a risk that the business could be disrupted in situations where there is a disagreement or dispute in relation to a term of the contract. Should such a disagreement or dispute occur, this may have an adverse impact on the Company's operations and performance generally. It is not possible for the Company to predict or protect itself against all such risks.

(p) Third Party Risk

The operations of the Company require the involvement of a number of third parties, including suppliers, contractors and clients.

Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on the Company's operations and performance. It is not possible for the Company to predict or protect the Company against all such risks.

(q) Retail Environment

There may be an economic downturn in Australia or the overseas markets that may cause the retail environment to deteriorate as consumers reduce their retail spending on discretionary items. This may result in reduced turnover in the Company's products in Australia or overseas markets.

5.2 General Risks Relating to the Company

(a) Future capital requirements

The Company's capital requirements depend on numerous factors. The Company may require further financing in addition to amounts raised under the Offers. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If adequate funds are not available to satisfy either short or long-term capital requirements, the Company may be required to limit its operations significantly. There is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(b) Securities investment risk

The prices at which the securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies. There can be no guarantee that these trading prices will not fluctuate. These factors may materially affect the market price of the New Shares regardless of the Company's operational performance.

The New Shares issued by the Company carry no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on the ASX.

The value of the securities will be determined by the stock market and will be subject to a range of factors beyond the control of the Company, and the directors and officers of the Company. Such factors include, but are not limited to, the demand for and availability of securities in the Company, movements in domestic interest rates, exchange rates, fluctuations in the Australian and international stock markets and general domestic and economic activity. Returns from an investment in securities in the Company may also depend on general stock market conditions as well as the performance of the Company. There can be no guarantee that an active market in securities in the Company will develop or that the market price of securities in the Company will not decline below issue prices.

(c) Dilution

In certain circumstances, the Directors may issue equity securities without any vote or action by Shareholders. If the Company were to issue any equity securities the percentage ownership Shareholders may be reduced and diluted.

5.3 General investment risks

In addition to the above specific risks associated with the Company's proposed operations there are also general risks associated with an investment in the Shares. These include:

(a) Government legislation and policy changes

Changes in relevant laws, regulations and government policies may adversely affect the Company's product approvals, ingredient availability, proposed operations, increase costs, or affect the financial performance or any future revenue of the Company. Such changes are beyond the control of the Company.

(b) Securities investments and share market conditions

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors. Furthermore, the stock market may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of such companies. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

The New Shares should be considered speculative due to the nature of the Company's business and the early stage of market development. There is no guarantee as to the payment of dividends, return of capital or the market value of the New Shares. The prices at which an investor may be able to trade the New Shares may be above or below the price paid by the investor for the New Shares.

Prospective investors must make their own assessment of the likely risks and determine whether an investment in the Company is appropriate to their own circumstances.

(c) Economic risk

The future performance and viability of the Company is also dependent on a number of factors which may affect the performance of all industries and not just the natural skin care industry including, but not limited to, the following:

- (i) future demand for natural and organic sunscreen and natural skin care products;
- (ii) general economic conditions;
- (iii) changes in Government policies, taxation and other laws;
- (iv) the strength of the equity and share markets in Australia and throughout the world and, in particular, investment sentiment towards the industrial sector;
- (v) movement in, or outlook on, exchange rates, interest rates and inflation rates;
- (vi) industrial disputes in Australia and overseas;
- (vii) changes in investor sentiment toward particular market sectors;
- (viii) financial failure or default by an entity with which the Company may become involved in a contractual relationship; and
- (ix) natural disasters, social upheaval or war.

(d) Share market

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. The market price of securities in the Company may be subject to fluctuation and may be affected by many factors including, but not limited to, the following:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) commodity price fluctuations;
- (v) changes in investor sentiment toward particular market sectors;
- (vi) the demand for, and supply of, capital; and
- (vii) terrorism or other hostilities.

(e) Legal Proceedings

Legal proceedings may arise from time to time in the course of the business of the Company. Legal proceedings brought by third parties including but not limited to customers, partners, suppliers, business partners or employees could negatively impact the business in the case where the impact of such litigation is greater than or outside the scope of the Company's insurance. As at the date of this Prospectus, there are no material legal proceedings affecting the Company and the Directors are not aware of any legal proceedings pending or threatened against or affecting the Company.

(f) Unforeseen expenses

While the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of the Company may be adversely affected.

(g) Macro-economic risks

Changes in the general economic outlook in Australia and globally may impact the performance of the Company and its projects. Such changes may include:

- (i) uncertainty in the Australian economy or increases in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity);
- (ii) increases in expenses (including the cost of goods and services used by the Company);
- (iii) new or increased government taxes, duties or changes in taxation laws; and
- (iv) fluctuations in equity markets in Australia and internationally.

(h) Broader general risks

There are also a number of broader general risks which may impact the Company's performance. These include:

- (i) abnormal stoppages in normal business operations due to factors such as war, political or civil unrest, infrastructure failure or industrial disruption;
- (ii) higher than budgeted costs associated with the provision of service offerings; and
- (iii) material litigation – the Company is not currently involved in any material litigation and is not aware of any facts or circumstances that may give rise to any material litigation. However, given the scope of the Company's activities and the wide

range of parties with which it is likely to deal, the Company may be exposed to potential litigation from third parties such as clients, regulators, employees and business associates.

(i) Acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, companies, products, technologies and/or products that are complementary to the Company's business. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, achieving the sales and margins anticipated and retaining key staff and customer and supplier relationships.

5.4 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of its Securities.

The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Prospectus. Therefore, the New Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for New Shares pursuant to this Prospectus.

6. Rights attaching to Securities

6.1 Rights attaching to Shares

A summary of the rights attaching to Shares is detailed below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

(a) General Meetings

Each Shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, financial reports and other documents required to be sent to Shareholders under the Constitution, Corporations Act or Listing Rules. The notice must state the general nature of business and any other matters required by the constitution, Corporations Act or Listing Rules.

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid shares, shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

(c) Dividend Rights

The Directors may from time to time declare a dividend to be paid to Shareholders entitled to the dividend. The dividend shall (subject to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividends) be payable on all Shares in accordance with the Corporations Act.

Dividends are payable out of the Company's profits and are declared by the Directors. The Directors may from time to time pay to the Shareholders such interim dividends as they may determine. The Directors may direct payment of the dividend to be made wholly or in part by the distribution of specific assets. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company such amounts as they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

(d) Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the

Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other Securities in respect of which there is any liability.

(e) Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or Listing Rules.

The Company may decline to register any transfer where permitted to do so by the Listing Rules and must decline to register a transfer of Shares where required by the Listing Rules.

(f) Variation of Rights

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to a class (unless otherwise provided by terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of 75% of the issued shares of that class, or if authorised by a special resolution at a separate meeting of the holders of the shares of that class.

6.2 Terms and Conditions of New Options

A summary of the rights attaching to the New Options is detailed below.

(a) Entitlement

Each New Option entitles the holder to subscribe for one Share upon exercise of the New Option.

(b) Exercise Price

Subject to paragraph (m), the amount payable upon exercise of each New Option will be A\$0.03 (**Exercise Price**).

(c) Expiry Date

The expiry date of the New Options is 5.00pm WST on 31 December 2020 (**Expiry Date**).

The New Options may be exercised at any time prior to the Expiry Date (**Exercise Period**), in whole or in part, upon payment of the exercise price per New Option. New Options not exercised on or before the Expiry Date will expire and cease to carry any rights or benefits.

(d) Transferable

The New Options are transferable.

(e) No Quotation

The Company will not apply for the quotation of the New Options on ASX.

(f) Notice of Exercise

The New Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified by the Company (**Notice of Exercise**) and payment of

the Exercise Price for each New Option being exercised in Australian currency by cheque or electronic funds transfer or other means of payment acceptable to the Company.

The New Options may be exercised by the holder in whole or in part. The Notice of Exercise must state the number of New Options exercised, the consequent number of Shares to be issued and the identity of the proposed allottee.

(g) Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each New Option being exercised in cleared funds (**Exercise Date**).

(h) Timing and issue of Shares on exercise

Within 15 business days of a Notice of Exercise being given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised, the Company will:

- (i) issue the Shares pursuant to the exercise of the New Options; and
- (ii) apply for official quotation on ASX of Shares issued pursuant to the exercise of the New Options.

(i) Shares issued on exercise

Shares issued on exercise of New Options rank equally with the then issued Shares of the Company.

(j) Participation rights

There are no participation rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options.

(k) Adjustment for entitlement issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than a bonus issue), there will be no adjustment of the Exercise Price of a New Option or the number of Shares over which the New Options are exercisable.

(l) Adjustment for bonus issue of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of a New Option will be increased by the number of Shares which the New Option holder would have received if the holder had exercised the New Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(m) Adjustment for reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the holder will be varied in accordance with the Listing Rules.

6.3 Dividend policy

The Company does not intend to declare or pay any dividends in the immediately foreseeable future.

Any future determination as to the payment of dividends by the Company will be at the sole discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

7. Additional information

7.1 Continuous disclosure obligations

The Company is a 'disclosing entity' (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act, and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The New Shares are in the same class as Shares that have been quoted on the official list of the ASX during the three months prior to the issue of this Prospectus.

This Prospectus is a 'transaction specific prospectus' to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to an offer of securities, or operation to acquire securities, in a class which has been continuously quoted by ASX in the three months prior to the date of the prospectus. In general terms 'transaction specific prospectuses' are only required to contain information in relation to the effect of the issue of the New Shares on the Company and the rights attaching to the New Shares. It is not necessary to include general information in relation to all of the assets and liabilities, the financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the three months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the closing date of the Entitlement Offer:
 - (i) the annual financial report of the Company for the financial year ended 30 June 2019 being the most recent annual financial report of the Company lodged with the ASIC before the issue of this Prospectus; and
 - (ii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the annual financial report referred to in paragraph (i) above until the issue of this Prospectus in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of its annual report on 31 October 2019:

| Date Lodged | Subject of Announcement |
|-------------|-----------------------------------------------|
| 31/10/2019 | Notice of Annual General Meeting / Proxy Form |
| 31/10/2019 | Appendix 4C - Quarterly Report |
| 21/11/2019 | Pause in Trading |
| 21/11/2019 | Trading Halt |
| 25/11/2019 | Response to ASX Query |
| 25/11/2019 | Voluntary Suspension |
| 25/11/2019 | Voluntary Suspension |
| 29/11/2019 | Corporate Governance Statement |
| 29/11/2019 | Response to ASX Query Letter |
| 29/11/2019 | Results of Meeting |
| 29/11/2019 | Chairman's Address to Shareholders |
| 29/11/2019 | Board Resignations and New Appointment |
| 02/12/2019 | Reinstatement to Official Quotation |
| 03/12/2019 | Initial Director's Interest Notice |
| 17/01/2020 | Trading Halt |
| 21/01/2020 | Non-Renounceable Issue |
| 28/01/2020 | Non-Renounceable Issue update |
| 31/01/2020 | Appendix 4C - Quarterly Report |

7.2 Interests of Directors

On 3 January 2017, the Company was successfully admitted to the Official List of ASX. Mr Peter Malone and Mr Luke Martino, both Directors, were involved in the formation and promotion of the Company in connection with the Company's listing on ASX.

Except as disclosed above, and elsewhere in this Prospectus, no Director (or entity in which they are a partner or director) has, or has had in the two years before the date of this Prospectus, any interests in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to:

- (a) any Director to induce him or her to become, or to qualify as, a Director; or
- (b) any Director for services which he or she (or entity in which they are a partner or director) has provided in connection with the formation or promotion of the Company or the Offers.

7.3 Directors' interests and participation

As at the date of this Prospectus, the relevant interests of the Directors and their related entities in securities in the Company, are detailed in the table below.

| Director | Shares | Options | Performance Rights | Entitlement |
|--------------|------------|-------------------------|---------------------------|----------------------|
| Peter Malone | 15,196,172 | 11,397,128 ¹ | 29,000,000 ⁽²⁾ | 8,442,318 New Shares |
| Phil Giglia | 2,272,762 | 378,690 ¹ | | 1,262,646 New Shares |

| | | | | | |
|--------------|------------|------------------------|--|-----------|------------|
| Craig Piercy | 12,154,130 | 8,118,822 ¹ | | 6,752,294 | New Shares |
|--------------|------------|------------------------|--|-----------|------------|

Notes:

1. Comprising quoted options exercisable at \$0.10 each on or before 31 December 2020.
2. Comprising Performance Rights as set out in the Company's 2019 Annual Report and 2019 Notice of Annual General meeting.

At the date of this Prospectus, the Directors have advised the Company that they intend to take up their Entitlements in full.

7.4 Directors' Remuneration

The remuneration (including superannuation) of existing Directors for the past two financial years (30 June year-end) are as follows:

| Director | Title | Financial Year to 30 June 2019 | Financial Year to 30 June 2018 |
|--------------|-------------------------------------------|-----------------------------------|-----------------------------------|
| Peter Malone | Executive Chairman | \$328,000 ⁽¹⁾ | \$291,130 ⁽¹⁾ |
| Phil Giglia | Non- Executive Director | \$29,000 | \$36,500 |
| Craig Piercy | Executive Director / Company Secretary | \$156,000 | \$156,000 |
| TOTAL | | \$513,000 | \$483,630 |

Notes:

1. Includes non-monetary remuneration.

7.5 Interests of other persons

No promoter or other person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus (or entity in which they are a partner or director) holds, and has not had in the two years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to a promoter or any person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus (or entity in which they are a partner or director), provided in connection with the formation or promotion of the Company or the Offers, except as disclosed in this Prospectus.

7.6 Related party transactions

At the date of this Prospectus, no material transactions with related parties and Directors interests exist that the Directors are aware of, other than those disclosed in this Prospectus and in publicly available announcements.

7.7 Market price of Shares

The highest and lowest market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest: \$0.018 16/01/2020

Lowest: \$0.010 14/11/2019

The latest available market sale price of the Shares on ASX prior to the date of lodgement of this Prospectus with ASIC was \$0.015 per Share on 31 January 2020.

7.8 Costs of the Offers

The costs of the Offers payable by the Company (exclusive of GST) are listed below.

| | (A\$) |
|-----------------------------|------------------|
| ASIC lodgement fee | \$3,206 |
| ASX quotation fee | \$5,708 |
| Lead Manager Fee | \$10,048 |
| Underwriting Fee | \$70,336 |
| Legal expenses | \$20,000 |
| Share Registry expenses | \$4,500 |
| Printing and other expenses | \$2,500 |
| TOTAL | \$116,298 |

7.9 Taxation implications

The acquisition and disposal of securities in the Company will have taxation consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in Company are urged to take independent financial advice about the taxation and any other consequences of acquiring and selling the securities in the Company.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of subscribing for New Shares.

7.10 Litigation and claims

So far as the Directors are aware, other than as disclosed by the Company to ASX, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company (or any other member of the Group) is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Company or the Group.

7.11 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the New Shares), the Directors, persons named in this Prospectus with their consent as proposed Directors of the Company, any underwriters, persons named in this Prospectus with their consent as having made a statement in this Prospectus and persons involved in a contravention in relation to this Prospectus, with regard to misleading or deceptive statements made in this Prospectus. Although the Company bears primary responsibility for this Prospectus, other parties involved in the preparation of this Prospectus can also be responsible for certain statements made in it.

Each of the Directors has given their written consent to being named in this Prospectus in the context in which they are named and have not withdrawn their consent prior to lodgement of this Prospectus with ASIC.

7.12 Documents available for inspection

The following documents are available for inspection during normal business hours at the registered office of the Company:

- (a) this Prospectus; and
- (b) the Constitution.

7.13 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

7.14 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the New Shares.

7.15 Electronic Prospectus

Pursuant to Regulatory Guide 107, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic copy of this Prospectus on the basis of a paper Prospectus lodged with ASIC and the issue of Securities in response to an electronic Application Form, subject to compliance with certain provisions. If you have received an electronic copy of this Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send to you, free of charge to you, either a hard copy or a further electronic copy of this Prospectus or both.

The Company reserves the right not to accept an Entitlement and Acceptance Form from an Applicant if it has reason to believe that when that Applicant was given access to the electronic Entitlement and Acceptance Form, it was not provided together with an electronic copy of this Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application Monies shall be held by the Company on trust and returned (without interest) to the Applicant as soon as practicable.

8. Authorisation

This Prospectus is authorised by each of the Directors.

This Prospectus is signed for and on behalf of the Company, pursuant to a resolution of the Board, by:



Mr Peter Malone
Executive Chairman
5 February 2020

9. Glossary

In this Prospectus, unless the context otherwise requires:

A reference to the singular includes the plural and vice-versa.

\$ means Australia dollar.

Annual Report means the financial report lodged by the Company with ASIC in respect to the year ended 30 June 2019 and includes the corporate directory, review of activities, Shareholder information, financial report of the Company and its controlled entities for the year ended 30 June 2019, together with a Directors' report in relation to that financial year and the auditor's report for the period ending 30 June 2019.

Applicant means a person who submits an Entitlement and Acceptance Form or Shortfall Application Form (as applicable).

Application means a valid application for New Shares under the Entitlement Offer made pursuant to an Entitlement and Acceptance Form or Shortfall Shares under the Shortfall Offer made pursuant to an Application Form (as applicable).

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form (as applicable).

Application Monies means application monies for New Shares received by the Company from an Applicant.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 and where the context permits, the market operated by it.

Board means the board of Directors.

CHES means ASX Clearing House Electronic Subregistry System.

Closing Date means the date referred to as such in the Indicative Timetable.

Company means Skin Elements Limited ACN 608 047 794.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Eligible Shareholder means a person who:

- (a) is a Shareholder at 5.00pm (WST) on the Record Date; and
- (b) has a registered address in Australia, New Zealand, Hong Kong or China as at the Record Date.

Entitlement means a Shareholder's entitlement to subscribe for New Shares under the Entitlement Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form attached to, or accompanying this Prospectus, that sets out the entitlement of an Eligible Shareholder to subscribe for New Shares pursuant to the Entitlement Offer.

Entitlement Offer has the meaning given to that term in Section 2.1.

GMP means the Good Manufacturing Practices regulations and General Biologics Products Standards promulgated by FDA, as they may be amended from time to time and includes published standards of FDA (or other standards of the FDA that are generally recognised within the United States pharmaceutical industry)

Group means the Company and each of its subsidiaries.

Indicative Timetable means the indicative timetable on page 5 of this Prospectus.

Ineligible Shareholder means a Shareholder who is not an Eligible Shareholder.

Issue Date means the date referred to as such in the Indicative Timetable.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHES.

Lead Manager means Titan Securities Pty Ltd (ACN 120 951 608).

Lead Management Agreement has the meaning given to that term in Section 3.2.

Lead Management Fee has the meaning given to that term in Section 3.2.

Listing Rules means the official listing rules of ASX.

New Option means an option offered pursuant to this Prospectus.

New Share means a Share offered pursuant to this Prospectus.

Offers means the Entitlement Offer and Shortfall Offer.

Offer Price means \$0.01.

Official List means the Official List of ASX.

Official Quotation means quotation of Shares on the official list of ASX.

Opening Date means the date referred to as such in the Indicative Timetable.

Option means an option to acquire a Share.

Prospectus means this prospectus dated 5 February 2020.

Record Date means the date referred to as such in the Indicative Timetable.

Section means a section of this Prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of Shares.

Share Registry means Link Market Services Limited.

Shortfall means the New Shares not applied for under the Entitlement Offer before the Closing Date.

Shortfall Application Form means the application form attached to, or accompanying this Prospectus, to be used for the purposes of applying for Shortfall Shares.

Shortfall Offer has the meaning given to that term in Section 2.5.

Shortfall Shares means the New Shares constituting the Shortfall.

Statements has the meaning given to that term in Section 3.5.

TGA means the Therapeutic Goods Administration, a Division of the Department of Health and Ageing.

Underwriter means State Securities Pty Ltd (ACN 088 690 466).

Underwriting Agreement has the meaning given to that term in Section 3.3.

Underwriting Fee has the meaning given to that term in Section 3.3.

Underwritten Amount means the number of New Shares multiplied by the Offer Price.

WST means Australian Western Standard Time.