



30 April 2020

Quarterly Activity Report - Period ending 31 March 2020

Australian natural skin care company Skin Elements Limited (ASX: SKN) (Skin Elements, the Company) is pleased to present its Quarterly Activity Report for the period ending 31 March 2020.

New Product – Invis-Shield Natural Sanitiser

Skin Elements announced the launch of Invisi Shield® Natural sanitizer during the quarter. It is a natural alcohol-free, anti-microbial sanitiser designed to deliver protection against 99.9% of germs.

With the formulation and launch announced, production is now underway with Invisi Shield® Natural sanitizer now available through the Company's online store www.sknlife.com.au in the current quarter. Independent laboratory testing against the COVID-19 surrogate is also underway with results expected shortly.

Global Opportunity

Skin Elements also continues to maintain its focus on developing sales in Australia and global markets for its Soleo Organics natural sunscreen and PapayaActivs natural therapeutic pawpaw skincare range. Further orders and deposits were received during the quarter, notwithstanding the impact of COVID-19 restrictions that has seen the delay of orders from national and international distributors and the shift to direct online sales through the Company's online store.

The Company has also experienced increased costs and increased shipment timeframes for national and international freight, which has resulted in delayed production and the delivery of stock.

Production Funding

During the quarter the Company secured a \$1 million pre-factoring financing facility with Custodian Australia Pty Ltd of which \$250,000 has been drawn down for the purchase of ingredients, packaging and securing production slots with the Company contract production laboratories.

This facility has now been increased to \$10 million on similar terms which will allow the Company to scale up production for its products to meet demand for large scale orders, particularly for the Invisi-Shield Natural sanitiser.

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Manufacturing Underway

Following delivery of 100,000 bottles and active ingredients for the Invisi-Shield Natural sanitiser, production has commenced in the Company's facility in Perth. This has enabled the Company to fast track production for immediate sales under a COVID-19 environment.

In addition, the Company has manufactured 20,000 tubes of Soleo Organics natural sunscreen, and a further 25,000 tubes of PapayaActivs pawpaw based natural skincare. These products are being delivered to distributors, and are available for sale on the Company's online store www.sknlife.com.au, in the current quarter.

Medium Term Growth

The Company has retained a core focus on balance sheet management and continues to review cost structures and working capital requirements to ensure an appropriate level of capital is available to support the increased production demand for its natural skincare product range required to fulfil sales growth.

To this end, the Board is currently assessing a number of equity / debt proposals that can provide future working capital to ensure Skin Elements can access the necessary working capital to support this production growth. The Company will seek shareholder and any other regulatory approvals once details have been finalized.

Capital Raising and Underwriting

Skin Elements completed during the quarter, a fully underwritten non renounceable rights issue to raise approximately \$1 million, and a further placement raising \$375,000 working capital to support production of the Company's products.

Skin Elements has also announced on 16 April 2020 that it has entered into an underwriting agreement with State Securities Pty Ltd to fully underwrite the exercise of the Company's options expiring on 31 December 2020. This will guarantee that Skin Elements will receive \$10.5 million from the exercise of options by 31 December 2020.

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

"It was a very positive quarter for the Company, highlighted by our launch of the Invisi Shield® Natural hand sanitiser. Our goal is to position Skin Elements as a global leader in providing high-quality hand sanitisers, to complement and extend our portfolio of award-winning nature-based healthcare and skincare products. We also acknowledge the ongoing support of our shareholders for our capital raising activities, which will help enable the Company to achieve our production, sales and distribution objectives for our product portfolio."

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

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For further information please contact

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About Skin Elements

Skin Elements is an Australian owned and operated ASX-listed skin care company focused on the development of natural and organic skin care products, as an alternative to current chemical-based products. It has developed a portfolio of products which includes the Invisi-Shield natural organic alcohol free sanitiser range which kills 99.9% of germs, the Soléo Organics 100% natural and organic sunscreen, PapayaActivs natural therapeutics skincare, and the Elizabeth Jane Natural Cosmetics brand. The Company has a track record of developing award winning natural products that have attained regulatory approval with the USA FDA, TGA and other significant regulators.

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



Appendix 4C

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

Name of entity

SKIN ELEMENTS LIMITED (SKN)

ABN

90 608 047 794

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	38	288
1.2 Payments for		
(a) research and development	(487)	(1,034)
(b) product manufacturing and operating	(451)	(511)
(c) advertising and marketing	(24)	(70)
(d) leased assets	(63)	(118)
(e) staff costs	(75)	(199)
(f) administration	(18)	(89)
(g) corporate costs	(67)	(227)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	689
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,147)	(1,271)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property	(30)	(30)
(f) other non-current assets		
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(30)	(30)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,438	1,572
3.2 Proceeds from issue of convertible debt securities	-	200
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(96)	(96)
3.5 Proceeds from borrowings	250	750
3.6 Repayment of borrowings	-	(700)
3.7 Transaction costs related to loans and borrowings	-	(14)
3.8 Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	1,592	1,712

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	112	116
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,147)	(1,271)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(30)	(30)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,592	1,712
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	527	527

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	527	112
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	527	112

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
(115)
-

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

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	10,000	250
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)		-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** 9,750

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

Production Financing Facility – \$10,000k with Custodian Australia Pty Ltd, 15%pa interest, repayable from sales of product over 12 months

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,147)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	527
8.3 Unused finance facilities available at quarter end (Item 7.5)	9,750
8.4 Total available funding (Item 8.2 + Item 8.3)	10,277
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	8.96

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

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

Answer:

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

Answer:

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

Answer:

Compliance statement

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

30 April 2020

Date:

By the Board of Directors

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

Notes

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