



31 July 2020

Quarterly Activity Report - Period ending 30 June 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 30 June 2020.

Impact of COVID-19 Coronavirus

The COVID-19 coronavirus global pandemic has caused significant disruption and restrictions to the movement of people and goods throughout the world.

During this time, SKN has continued to operate from its West Perth premises.

During the quarter, the Company increased customer receipts by over \$134,000, 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 restrictions on travel resulting in reduced ability to meet with distributors and new customers, increased costs and shipment timeframes for national and international freight, and delayed production and the delivery of inventories.

Invis-Shield Natural Sanitiser

Skin Elements launched Invisi Shield® Natural sanitizer during the quarter, with production commencing in June, and Invisi Shield® Natural sanitizer now available through the Company's online store www.sknlife.com.au.

Testing Results

Skin Elements detailed in its announcement on 29 May 2020 that its SE Formula™, a plant based active formulation, demonstrated in independent laboratory testing, 99.99% effectiveness against Feline coronavirus, a surrogate of Coronavirus COVID-19.

Skin Elements is continuing to investigate the use of the SE Formula™ in a range of applications for Invisi-Shield Natural, and the regulatory requirements of the Therapeutic Goods Administration (TGA) in making any product claims. No product claims or TGA registrations have been made in the quarter.

Natural Science by Skin Elements

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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.

Production Funding

During the quarter, Skin Elements received \$250,000 under the pre-factoring financing facility with Custodian Australia Pty Ltd for the purchase of ingredients, packaging and production of its Invisi-Shield Natural sanitiser products. This advance is repayable on 9 November 2020 (with ability to extended for a further six months) with interest of 15%pa payable monthly. The drawdown can also be secured against the inventory produced.

A total of \$500,000 is now drawdown against this facility.

Manufacturing Underway

Skin Elements has commenced production of Invisi-Shield Natural sanitiser in June, following delivery of 100,000 bottles and active ingredients for production in the Company's facility in West Perth

The Company has taken delivery of 16,000 tubes of Soleo Organics natural sunscreen with orders placed with Baxter Laboratories for a further 150,000 tubes of Soleo Organics sunscreen.

In addition, the Company has taken delivery of 25,000 tubes of PapayaActivs pawpaw based natural skincare, with a further 10,000 tubes of PapayaActivs pawpaw based natural skincare in production.

These products are available through distributors and for sale through the Company's online store www.sknlife.com.au.

Capital Raising and Underwriting

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 \$10.5 million from the exercise of the Company's options expiring on 31 December 2020.

During the quarter, 4,159,547 unlisted options were exercised for \$124,786 cash received.

Research & Development Rebate

Skin Elements is registered for the Federal Government's R&D Rebate with the Company's 2020 research & development program expecting to provide a cash receipt in excess of \$680,000, receivable in the September 2020 quarter.



Summary of Operation Cashflows

The Company business activities reported above resulted in customer receipts of \$134k, government incentives of \$105k, and cash outflows of \$920k for research & development costs, product manufacturing, marketing, and overheads as detailed in the Appendix 4C, resulting in net cash used in operating activities of \$681k for the quarter.

Included in the operational cash outflows for the quarter is \$116,000 paid to entities associate with the Directors for executive services and directors' services in accordance with services agreements, details of which have been disclosed in the Company's 2019 Annual Report.

Medium Term Growth Strategy

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.

The Board is currently assessing equity and debt proposals that can ensure Skin Elements has the necessary working capital to support this production growth. The Company will seek shareholder and any other regulatory approvals once details have been finalized.

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

"It was a positive quarter for the Company, highlighted by our launch of the Invisi Shield® Natural hand sanitiser. Skin Elements aims to be 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

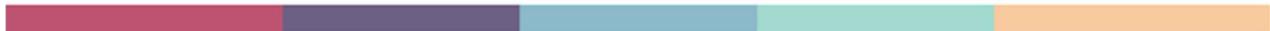
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About Skin Elements

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, 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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	134	422
1.2 Payments for		
(a) research and development	(404)	(1,438)
(b) product manufacturing and operating	(247)	(658)
(c) advertising and marketing	(85)	(155)
(d) leased assets	(40)	(158)
(e) staff costs	(55)	(354)
(f) administration	(24)	(113)
(g) corporate costs	(65)	(292)
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	105	794
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(681)	(1,952)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(c) property, plant and equipment		
(d) investments		
(e) intellectual property	-	(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)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		1,569
3.2	Proceeds from issue of convertible debt securities		200
3.3	Proceeds from exercise of options	125	125
3.4	Transaction costs related to issues of equity securities or convertible debt securities		(96)
3.5	Proceeds from borrowings	250	1,000
3.6	Repayment of borrowings	-	(700)
3.7	Transaction costs related to loans and borrowings	(15)	(26)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	360	2,072

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	527	116
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(681)	(1,952)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(30)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	360	2,072
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	206	206

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	206	527
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)	206	527

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	(115)
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 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	500
7.2 Credit standby arrangements	-	-
7.3 Other (R&D Rebate)	680	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** 10,180

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.

Pre-Factoring Financing Facility – up to \$10,000k with Custodian Australia Pty Ltd to fund production of the Company's products, 15%pa interest payable monthly, principal repayable in six months from drawdown with extension for further six months, secured against the identified production.

R&D Rebate – SKN is eligible for R&D Rebate of \$680k which is receivable in the September 2020 quarter

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(681)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	206
8.3 Unused finance facilities available at quarter end (Item 7.5)	10,180
8.4 Total available funding (Item 8.2 + Item 8.3)	10,386
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	15.25

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

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

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

Answer: N/A

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

Answer: N/A

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

Answer: N/A

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.

31 July 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.