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31 July 2019

Quarterly Activity Report - Period ending 30 June 2019

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 2019.

Expanded Product Range in Production

During the quarter, the Company completed its strong research and development focus across its natural sunscreen and skincare product range which saw in excess of $1.5 million invested in the expansion of the Company's natural sunscreen and skincare ranges. Skin Elements is claiming the Federal Government's R&D Tax Rebate as part of this investment and anticipates receiving the rebate in excess of $600,000 for the 2018/19 financial year in the current quarter.

The Company's unique Soleo Organics sunscreen range together with the natural PapayaActivs therapeutic range and Complete Esscience pawpaw based natural skincare range are the lead products being commercialized under our global market launch over the 2019/20 year.

Skin Elements enters Chinese skin care market

As set out in the ASX Announcement on 25 March 2019, Skin Elements has entered into a binding Term Sheet with Henan Huatuo Health Management Co, Ltd (HHHM) for a proposed $20 million distribution agreement for its sunscreen and skin care product range in the Chinese skin care market and a $2.4 million strategic investment. As set out in the announcement of 25 March 2019, the Term Sheet is subject to various conditions precedent including obtaining shareholders approvals which the Company and HHHM are currently working through. A notice of meeting in respect of the proposed shareholder meeting to seek shareholder approvals for the transaction between Skin Elements and HHHM is anticipated to be provided in due course.

The Company has received the first payment of $300,000, for the first delivery of product pursuant to the Term Sheet with HHHM, with the next sales order for $800,000 expected in the current quarter.

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Global Opportunity
Skin Elements also continues to maintain its focus on developing sales in other global markets including the United Kingdom and Europe, and the online sales channel in the USA.

The Company also 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.

Placement
During the quarter, the Company completed private placements under its LR7.1 and 7.1A placement capacity for a total of $451,000. The funds raised will be used for working capital to allow it to continue to advance its sales and production programs.

Commenting on the quarter, Skin Elements Executive Chairman Mr Peter Malone said;
”Skin Elements ongoing focus on prudent cashflow management helps ensure that the Company is able to continue to progress its operations and to purse its business objectives to deliver positive operational cashflows in the coming quarter.**”**

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About Skin Elements
Skin Elements is an Australian 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 its lead product, the Soléo Organics 100% natural and organic sunscreen, PapayaActivs natural therapeutics, Complete Esscience natural skincare, and the Elizabeth Jane Natural Cosmetics brand. The Company has regulatory approval with the USA FDA, TGA and other significant regulators and aims to become the number one recognised national and international natural skincare brand.

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

+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity		
Skin Elements Limited		
ABN		**Quarter ended ("current quarter")**
90 608 047 794		30 June 2019

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	140	801
1.2	Payments for		
	(a) research and development (**note 4**)	(409)	(1,524)
	(b) product manufacturing and operating costs	(91)	(516)
	(c) advertising and marketing	(40)	(189)
	(d) leased assets	(23)	(104)
	(e) staff costs	(45)	(290)
	(f) administration costs	(17)	(147)
	(g) corporate costs	(66)	(405)
1.3	Dividends received	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(0)	(11)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	491
1.8	Other	-	-
1.9	**Net cash from / (used in) operating activities**	**(551)**	**(1,894)**

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Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see **note 5**)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	451	1,858
3.2	Proceeds from issue of convertible notes	-	200
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(130)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**451**	**1,928**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year to date	330	196
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(551)	(1,894)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	451	1,928
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**230**	**230**

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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	230	330
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)**	**230**	**330**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	(45)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Directors remuneration (per the service agreements)		(45)

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other	600	- -
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well: Skin Elements is claiming R&D Tax Rebate for the R&D activities undertaken during the year ended 30 June 2019 and expects to receive in excess of $600,000 in the current quarter.		

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Research and development	(25)
9.2	Product manufacturing and operating costs	(290)
9.3	Advertising and marketing	(15)
9.4	Leased assets	(35)
9.5	Staff costs	(60)
9.6	Administration costs	(10)
9.7	Corporate and compliance costs	(25)
9.8	**Total estimated cash outflows**	**(460)**

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10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1	Name of entity	N/A	N/A
10.2	Place of incorporation or registration	N/A	N/A
10.3	Consideration for acquisition or disposal	N/A	N/A
10.4	Total net assets	N/A	N/A
10.5	Nature of business	N/A	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.

Sign here: CPiercy ..... Date: 31 July 2019
(Company Secretary)
Print name: Craig Piercy

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position.

2. This quarterly 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.

3. The Group comprises parent entity Skin Elements Limited (ACN 608 047 794) and wholly owned subsidiary SE Operations Pty Ltd (ACN 110 352 424) acquired on 31 December 2016.

4. The Group has undertaken research and development activities as part of its on-going operations. The costs associated with the research and development process have been identified and disclosed separately from the additional cost categories such as lease, staff and administration costs. The costs disclosed in 1.2 have been reclassified from prior reporting periods following the annual review of these activities.

5. In relation to these research and development activities the Group is claiming the Federal Government R&D tax rebate and expects to receive in excess of $600,000 in the current quarter.

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