

15 October 2020

Clare Porta  
ASX Compliance  
Australian Stock Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Ms Porta

### **Skin Elements Limited (SKN): Query Letter**

In reply to ASX query Letter of 25 September 2020, SKN provides the following reply:

#### **1. ASX notes that:**

*The FY19 Half Year Report contained a qualified audit conclusion in relation to the carrying value of SKN's intangible assets, and the auditor stated the following:*

*'Due to the significant variability of the future cash flows of the asset, we were unable to satisfy ourselves as to the appropriateness and reliability of the forecast of future cash flows that was included in the impairment model. Therefore we were unable to obtain sufficient appropriate evidence about the carrying value of the Intangible assets as at 31 December 2018.*

*Consequently we were unable to determine whether any adjustments to the carrying value of the Intangible asset in the statement of financial position are necessary for the period ended 31 December 2018.'*

*The Annual Report contained a qualified audit opinion in relation to the carrying value of SKN's intangible assets of \$8,995,117, with the auditor making the same statements as detailed above (but in relation to the carrying value at 30 June 2019).*

*The FY20 Half Year Report contained a qualified audit conclusion in relation to the carrying value of SKN's intangible assets of \$8,799,721, with the auditor making the same statements as detailed above (but in relation to the carrying value at 31 December 2019).*

*SKN's responses to ASX's query letters in relation to the FY19 Half Year Report, Annual Report, and FY20 Half Year Report each stated that the directors anticipated that SKN would receive an unqualified audit opinion at the next balance date (see paragraphs B, D and H above).*

*The Preliminary Final Report included a carrying value of SKN's intangible assets of \$8,653,824.*

*In light of the above and SKN's cash receipts and net operating cash outflows for the March and June 2020 quarters:*

- a) Do the directors still anticipate that SKN will receive an unqualified audit opinion in relation to its financial statements for the financial year ended 30 June 2020?*

The Directors anticipate SKN will receive an unqualified audit opinion in relation to its financial statements for the financial year end 30 June 2020.

With the markets response to the Company's technology continuing to be positive, the Directors are confident that the increased working capital, with increased production and increased sales activities will validate the reliability of SKN's cash flow models used to support the recoverable amount of the intangible assets.

SKN notes that the audit qualification matter reflects the auditor not being able to obtain sufficient appropriate audit evidence in regard to the forecast future cashflows that SKN has used in its VIU model assessment of the Intangible assets recoverable amount, rather than stating that SKN has not complied with AASB 136.

SKN further notes that the Company's market capitalisation is over \$20 million, well in excess of the Company's carrying value of intangibles.

*b) Has SKN obtained an independent third party valuation of its intangible assets? If the answer to this question is 'no', why not?*

No refer to response in a) above.

*2. Does SKN consider that its financial condition is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please explain the basis for SKN's conclusion.*

*If the answer to this question is 'no', please explain what steps SKN has taken, or proposes to take, to warrant continued listing on ASX under Listing Rule 12.2.*

SKN considers that the financial condition of SKN is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2.

As set out in the Company's Preliminary Final Report to 30 June 2020 the Group recorded a loss of \$1,937,899 (30 June 2019: 1,967,761 loss), a net working capital surplus of \$543,591 (30 June 2019: surplus of \$200,028) and had net cash outflows from operating activities of \$1,952,313 (30 June 2019: \$1,818,443).

Management believe there are sufficient funds to meet the entity's working capital requirements based upon:

- \$10.5 million from exercise of options and entering into underwriting agreement for options not exercised by 31 December 2020,
- Prefactoring finance facility to fund up to \$10 million in product manufacturing ,
- Commencing scale production of the full range of the Company's skincare products
- Entering into a Distribution Agreement with Prudential Consultants for Invisi-Shield in NSW & Tasmania for minimum \$2.4 million.
- Increase in sales through the Company's existing sales channels.
- The group expects to continue to receive the full support of its creditors.

*March Securities Issues Announcement*

3. Please confirm how many of the 24.8 million shares issued on 20 March 2020 were issued for:

a) cash consideration (including the issue price of the shares and the cash consideration received); and

	Issue Price	Shares	\$	
Bay Road Nominees Pty Ltd	\$0.0125	4,800,000	\$60,000	Cash
Lakehouse Investments Pty Ltd	\$0.0125	4,000,000	\$50,000	Cash
Douglas Lake Pty Ltd	\$0.0125	4,000,000	\$50,000	Cash
State Securities Pty Ltd	\$0.0125	8,000,000	\$100,000	Cash
Total		20,800,000	\$260,000	Cash

b) non-cash consideration (including the names of the allottees, the deemed issue price of the shares, and the nature of the non-cash consideration).

	Issue Price	Shares	\$	Services
State Securities Pty Ltd	\$0.0125	2,000,000	\$25,000	Underwriting Fee and Corporate Services
Custodian Australia Pty Ltd	\$0.0125	2,000,000	\$25,000	Pre-Factoring Finance Facility Fee
Total		4,000,000	\$50,000	

SKN notes that the 2,000,000 shares issued to State Securities and the 2,000,000 shares issued to Custodian on 23 March 2020 were incorrectly detailed as part of the Placement in the New Securities Issue announcement and Appendix 2A and Appendix 3B of 23 March 2020.

*State Securities*

4. Please confirm whether the options underwriting agreement is still on foot (see paragraphs J iii) and K above).

SKN and State Securities confirm that the Underwriting Agreement is on foot.

5. How many SKN securities does State Securities hold?

State Securities Pty Ltd holds 10,000,000 SKN shares.

*6. Who introduced SKN to State Securities (see paragraph K above), and was any introduction fee paid in relation to the introduction or the subsequent agreements between SKN and State Securities?*

SKN was referred to State Securities by Enrico Mattiaccio.

State Securities was contacted by SKN's corporate consultant Mr Robin Armstrong who had previously dealt with State Securities.

No introduction fee was paid.

*Custodian*

*7. Has SKN drawn down any further amounts under the \$10 million pre-factoring financing facility with Custodian since 30 June 2020?*

Since 30 June 2020 SKN has not drawn down any further amounts under the pre-factoring finance facility given continuing production delays.

*Please also confirm whether the \$10 million pre-factoring financing facility is still available to SKN.*

SKN and Custodian confirm that the \$10 million pre-factoring financing facility is still available to SKN.

*8. Has Custodian registered the production stock it has funded on the Personal Property Securities Register?*

Due to COVID-18 restrictions on the Company's contract production laboratory in Victoria, limited production has meant no stock has been registered under the PPSR.

*9. ASX notes that ASIC searches indicate that:*

*Mr Alex Gulabovski resigned as the sole director and secretary of Custodian on 1 August 2020;*

*Mr Joshua Gulabovski was appointed as the sole director and secretary of Custodian on 1 August 2020;*

*Mr Alex Gulabovski is no longer the sole shareholder of Custodian; and*

*Custodian's sole shareholder is now an entity in which Mr Joshua Gulabovski holds a controlling interest.*

*In light of the above, please confirm the AFSL and Credit Licence (or authorised representative) numbers and details for Mr Joshua Gulabovski, Custodian, and the AperioMoney group (also see paragraph N above).*

Mr Alex Gulabovski has confirmed that Custodian has had a change of directorship and shareholders consistent with all Aperio related entities. Mr Alex Gulabovski continues to act on behalf of Custodian and work closely with high net worth professional investors to consider opportunities outside of the traditional investment space.

Mr Alex Gulabovski's AFS Representative number is 000276283.

10. Please confirm whether:

a) *The funding for the pre-factoring financing facility agreements has been provided directly by Mr Alex Gulabovski, Mr Joshua Gulabovski, or by a client(s) of Messrs Gulabovski/Aperio.*

Mr Alex Gulabovski has confirmed that Custodian Australia has been specially setup for opportunities outside of the traditional investment space and that funds within Custodian are a combination of his own funds and that of high net worth professional investors considering opportunities outside of what AperioMoney does in the adviser space.

b) *There is any relationship or connection between Custodian or the Aperiomoney Group and State Securities.*

Mr Gulabovski has confirmed that Custodian or AperioMoney has no relationship with State Securities Pty Ltd. SKN understands that State Securities and Custodian are known to each other professionally.

11. *How many SKN securities does Custodian hold?*

2,300,000

12. *SKN announced the issue of 300,000 shares to Custodian 'for corporate financial services' on 12 June 2020, while the related Appendix 2A disclosed that the issue date was 14 May 2020 (see paragraphs L and M above).*

*Why wasn't the issue of shares to Custodian on 14 May 2020 announced to the market prior to 12 June 2020?*

SKN notes that the shares issued to Custodian on 14 May 2020 were announced to the market on 12 June 2020 as part of a detailed package of cleansing prospectus and other securities issues announcements prepared and lodged during that period. SKN has reviewed its administrative systems and processes to ensure that the Company meets its obligations under Listing Rules in a timely manner.

13. *Who introduced SKN to Custodian (see paragraph N above), and was any introduction fee paid in relation to the introduction or the subsequent agreements between SKN and Custodian?*

SKN was seeking to increase the existing pre-factoring finance facility with State Securities to fund increased production of its natural skincare products. State Securities advised that its investment profile was more suited to equity investment rather than specialised lending of this nature, and therefore, State Securities referred SKN to Mr Alex Gulabovski from AperioMoney, who had capacity for this type of facility and was able to consider funding of at least \$1 million.

No introduction fee was paid.

*General*

14. *Does SKN consider that it has adequate resources, systems and controls to comply with its obligations under the Listing Rules? If the answer to this question is:*

a) *'yes', please explain why SKN considers that its resources, systems and controls are adequate.*

*b) 'no', what steps does SKN intend to take to ensure that it has adequate resources, systems and controls to comply with its obligations under the Listing Rules?*

SKN considers that it has adequate resources, systems and controls to ensure that it complies with its obligations under the Listing Rules.

SKN has been transitioning from research & development to commercial operations over the past twelve months and is making the following changes:

- i. The appointment of new Company Secretaries as announced on 9 October 2020, and
- ii. Appointment of a new independent Non-Executive Director to be announced in the near future.

*15. Please confirm that SKN is complying with the Listing Rules and, in particular, Listing Rule 3.1.*

SKN confirms that SKN is complying with the Listing Rules and, in particular, Listing Rule 3.1. and there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

*16. Please confirm that SKN's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SKN with delegated authority from the board to respond to ASX on disclosure matters.*

SKN's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy.

Yours sincerely,



**Peter Malone**

**Chief Executive Officer**



25 September 2020

Reference: 24262

Mr Craig Piercy  
Director and Company Secretary  
Skin Elements Limited  
32 Ord Street  
West Perth WA 6005

By email

Dear Mr Piercy

**Skin Elements Limited ('SKN'): Query Letter**

ASX Limited ('ASX') refers to the following:

- A. SKN's half year report and accounts for the half year ended 31 December 2018 released on the ASX Market Announcements Platform ('MAP') on 1 March 2019 ('FY19 Half Year Report'), which contained a qualified audit conclusion in relation to the carrying value of SKN's intangible assets of \$9,228,775.
- B. ASX's query letter dated 12 March 2019 and SKN's response dated 25 March 2019, released together on MAP on 25 March 2019, which included the following question (in bold) and response:

**'10. What steps does SKN intend to take to obtain an unqualified audit conclusion with regards to its future financial statements?'**

*The Directors are confident that the arrangement with the Chinese customer / investor will validate the reliability of SKN's cash flow models used to support the recoverable amount of the intangible assets.*

*The models validity will be further strengthened by progressing the major opportunities with the UK and US customers.*

*The directors anticipate that they will be able to satisfy the auditor at 30 June 2019 that the models used to determine the recoverable amount of the asset are reliable and will receive an unqualified audit opinion.'*

- C. SKN's annual report for the financial year ended 30 June 2019 released on MAP on 31 October 2019 ('Annual Report'), which contained a qualified audit opinion in relation to the carrying value of SKN's intangible assets of \$8,995,117.
- D. ASX's query letter dated 21 October 2019 and SKN's response dated 28 October 2019, released together on MAP on 28 October 2019, which included the following question (in bold) and response:

**'4. What steps has SKN taken since the release of the Full Year Accounts to obtain an unqualified opinion with regards to its future financial statements?'**

*The Directors are confident that the increased sales of Company's expanded natural skincare product range into existing sales distribution and online channels and the progressing of the major opportunities with the UK and US customers will validate the reliability of SKN's cash flow models used to support the recoverable amount of the intangible assets of \$8,995,117.*

*The Directors anticipate that they will be able to satisfy the auditor during the financial year 2020 that the models used to determine the recoverable amount of the asset are reliable and will receive an unqualified audit opinion.'*

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- E. SKN's half year report and accounts for the half year ended 31 December 2019 released on MAP on 1 March 2020 ('FY20 Half Year Report') which contained:
- i) A qualified audit conclusion in relation to the carrying value of SKN's intangible assets of \$8,799,721.
  - ii) An emphasis of matter – material uncertainty relating to going concern paragraph in the auditor's review report.
- F. SKN's prospectus dated 5 March 2020 and released on MAP on the same day in relation to a fully underwritten non-renounceable pro-rata rights issue to raise \$1,004,796 (before costs) ('Entitlement Offer'), which included the following statements regarding the underwriting agreement with State Securities Pty Ltd ('State Securities') in section 3.3:
- 'The Entitlement Offer is fully underwritten by State Securities Pty Ltd (State Securities) pursuant to an underwriting agreement dated 16 January 2020 (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 ...'*
- G. SKN's announcement titled 'Non-Renounceable Issue' released on MAP on 17 March 2020 detailing the results of the Entitlement Offer, which included the following statement:
- 'There are no shortfall shares or attaching options placed with the Underwriter, State Securities Pty Ltd, in accordance with the Underwriting Agreement disclosed in the Entitlement Offer document.'*
- H. ASX's query letter dated 5 March 2020 and SKN's response dated 17 March 2020, released together on MAP on 19 March 2020, which included the following question (in bold) and response:
- '3. What steps has SKN taken since the release of the Half Year Accounts to obtain an unqualified opinion with regards to its future financial statements?'***
- The Directors are confident that the increased working capital, increased production and increased sales activities will validate the reliability of SKN's cash flow models used to support the recoverable amount of the intangible assets.*
- The directors anticipate that they will be able to satisfy the auditor at 30 June 2020 that the models used to determine the recoverable amount of the asset are reliable and will receive an unqualified audit opinion.'*
- I. SKN's announcement titled 'New Securities Issues' released on MAP on 23 March 2020 ('March Securities Issues Announcement'), which advised that SKN had completed a number of new securities issues including:
- 'The issue of 24,800,000 ordinary fully paid shares to sophisticated investors for a placement raising \$310,000 cash working capital.'*
- J. SKN's Appendix 4C and quarterly activities report for the quarter ended 31 March 2020, released on MAP on 30 April 2020, which disclosed the following:
- i) Receipts from customers of \$38,000 for the March 2020 quarter.
  - ii) Net cash used in operating activities of \$1,147,000 for the March 2020 quarter.
  - iii) *'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*



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*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.'*

- K. ASX's query letter dated 18 May 2020 and SKN's response dated 21 May 2020, released together on MAP on 22 May 2020, which included the following question (in bold) and response:

**'1. Please explain SKN's rationale for appointing State Securities to underwrite the exercise of the Options ...**

*As a junior company, SKN is constantly managing its capital requirements and looking for opportunities to reduce its risk of funding. In late December 2019, SKN commenced preparation in relation to a proposed rights issue. As part of this process, the Company discussed the underwriting of the proposed rights issue and was introduced to State Securities as an investor which potentially had the capacity and appetite to commit to this type of investment.*

*After an arms' length negotiation, State Securities agreed to underwrite a \$1m non-renounceable rights issue which was completed in March 2020 ("Rights Issue").*

*Following the completion of the Rights Issue State Securities offered to underwrite the two classes of options expiring on 31 December 2020 for aggregate exercise consideration of \$10.6m, comprising \$9,548,864 from 95,488,641 options exercisable at \$0.10 and \$1,094,798 from 36,493,274 options exercisable at \$0.03 ...'*

- L. SKN's announcement titled 'new securities announcement' released on MAP on 12 June 2020 regarding the issue of securities including 300,000 shares to Custodian Australia Pty Ltd ('Custodian') 'for corporate financial services.'
- M. SKN's Appendix 2A released on MAP on 12 June 2020 (at 12:57pm) applying for quotation of the 300,000 shares issued to Custodian, which disclosed that the issue date was 14 May 2020 and that they were 'issued as consideration for the provision of custodian services.'
- N. ASX's query letter dated 30 June 2020 and SKN's response dated 1 July 2020, released together on MAP on 3 July 2020, which included the following statements in the response to Question 7 regarding the financing facility with Custodian:

*'... In December 2019, SKN commenced assessment of several proposals to provide funding for the production by contract production laboratories of its natural skincare products. After arms' length negotiation, SKN decided to enter into the arrangement with Custodian as it had been established for the purposes of, and had capacity for, this type of investment ...*

*Both SKN and Custodian, as part of the negotiations for the facility, undertook reasonable due diligence enquiries expected for this type of transaction, including:*

- *Direct enquiry of SKN and Custodian Australia and the Aperiomoney Group, and their websites to obtain an understanding of the respective businesses and the capacity to deliver under the proposed arrangements ...*
- *Search of ASIC and AFSL databases including identification of AFSL and Credit Services Licence for the Aperiomoney Group, and Alex Gulabovski, Director of Custodian Australia. Mr Gulabovski has been a licenced financial planner for over thirty years and so is regarded as a fit and proper person.*
- *General Google search with no adverse findings*

*Custodian has been established to provide short term (3-12 months) funding solutions for manufacturing, business acquisitions and business development. Alex Gulabovski is the sole director and owner of Custodian Australia Pty Ltd. Custodian operates within the Aperiomoney*

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*group, a retail and wholesale financial planning group with Australian Financial Service Licences and Credit Services Licences and led by Alex Gulabovski, a licenced financial planner for over 30 years with experience in investment and finance. See <http://aperio.com.au/>*

- O. SKN's Appendix 4C and quarterly activities report for the quarter ended 30 June 2020, released on MAP on 31 July 2020, which disclosed the following:
- i) Receipts from customers of \$134,000 for the June 2020 quarter.
  - ii) Net cash used in operating activities of \$681,000 for the June 2020 quarter.
  - iii) Cash balance of \$206,000 at 30 June 2020.
  - iv) *'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.'*
- P. SKN's Preliminary Final Report for the financial year ended 30 June 2020 ('FY2020') released on MAP on 31 August 2020 ('Preliminary Final Report') and prepared based on accounts which are in the process of being audited, which included the following disclosures:
- i) A carrying value of SKN's intangible assets of \$8,653,824 at 30 June 2020.
  - ii) Net tangible assets of \$544,327 at 30 June 2020.
  - iii) Net cash used in operating activities of \$1,952,084 for FY2020.
- Q. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- R. ASX's Compliance Update no 7/16 dated 25 July 2016, which states, amongst other things, that where a listed entity announces a material transaction and there is little or no information regarding the other party or parties to that transaction in the public domain (for example, because they are private companies), the announcement should also include a summary of the due diligence undertaken by the listed entity on their financial and other capacity to perform their obligations in relation to the transaction (see: [https://www.asx.com.au/resources/newsletters/listed\\_at\\_asx/listed-at-asx-20160725\\_0716.html](https://www.asx.com.au/resources/newsletters/listed_at_asx/listed-at-asx-20160725_0716.html))
- S. Listing Rule 3.10 which states:
- 'An entity must tell ASX the following information. It must do so immediately unless otherwise specified ...*
- 3.10.3 Details of a proposed issue of:*
- *equity securities (other than an issue to be made under a dividend or distribution plan or an employee incentive scheme or as a consequence of the conversion of any convertible securities) ...*
- The notification to ASX must be in the form of, or accompanied by, an Appendix 3B.*
- The entity must also immediately tell ASX if there is an error in, or a change to, any of the information it has given to ASX about a proposed issue of securities.'*

T. Listing Rule 12.2 which states:

*'An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.'*

U. Listing Rule 19.11A which states:

*'If a listing rule requires an entity to give ASX accounts, the following rules apply ...*

*(b) The accounts must be prepared to Australian accounting standards ...'*

### Questions and Requests for Information

Having regard to the above, ASX asks SKN to respond separately to each of the following questions and requests for information.

#### *Accounts and Financial Condition*

1. ASX notes that:

- The FY19 Half Year Report contained a qualified audit conclusion in relation to the carrying value of SKN's intangible assets, and the auditor stated the following:

*'Due to the significant variability of the future cash flows of the asset, we were unable to satisfy ourselves as to the appropriateness and reliability of the forecast of future cash flows that was included in the impairment model. Therefore we were unable to obtain sufficient appropriate evidence about the carrying value of the Intangible assets as at 31 December 2018.*

*Consequently we were unable to determine whether any adjustments to the carrying value of the Intangible asset in the statement of financial position are necessary for the period ended 31 December 2018.'*

- The Annual Report contained a qualified audit opinion in relation to the carrying value of SKN's intangible assets of \$8,995,117, with the auditor making the same statements as detailed above (but in relation to the carrying value at 30 June 2019).
- The FY20 Half Year Report contained a qualified audit conclusion in relation to the carrying value of SKN's intangible assets of \$8,799,721, with the auditor making the same statements as detailed above (but in relation to the carrying value at 31 December 2019).
- SKN's responses to ASX's query letters in relation to the FY19 Half Year Report, Annual Report, and FY20 Half Year Report each stated that the directors anticipated that SKN would receive an unqualified audit opinion at the next balance date (see paragraphs B, D and H above).
- The Preliminary Final Report included a carrying value of SKN's intangible assets of \$8,653,824.

In light of the above and SKN's cash receipts and net operating cash outflows for the March and June 2020 quarters (see paragraphs J and O above):

- a) Do the directors still anticipate that SKN will receive an unqualified audit opinion in relation to its financial statements for the financial year ended 30 June 2020?
  - b) Has SKN obtained an independent third party valuation of its intangible assets? If the answer to this question is 'no', why not?
2. Does SKN consider that its financial condition is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please explain the basis for SKN's conclusion.

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If the answer to this question is 'no', please explain what steps SKN has taken, or proposes to take, to warrant continued listing on ASX under Listing Rule 12.2.

*March Securities Issues Announcement*

3. Please confirm how many of the 24.8 million shares issued on 20 March 2020 were issued for:
  - a) cash consideration (including the issue price of the shares and the cash consideration received); and
  - b) non-cash consideration (including the names of the allottees, the deemed issue price of the shares, and the nature of the non-cash consideration).

*State Securities*

4. Please confirm whether the options underwriting agreement is still on foot (see paragraphs J iii) and K above).
5. How many SKN securities does State Securities hold?
6. Who introduced SKN to State Securities (see paragraph K above), and was any introduction fee paid in relation to the introduction or the subsequent agreements between SKN and State Securities?

*Custodian*

7. Has SKN drawn down any further amounts under the \$10 million pre-factoring financing facility with Custodian since 30 June 2020?

Please also confirm whether the \$10 million pre-factoring financing facility is still available to SKN.

8. Has Custodian registered the production stock it has funded on the Personal Property Securities Register?
9. ASX notes that ASIC searches indicate that:
  - Mr Alex Gulabovski resigned as the sole director and secretary of Custodian on 1 August 2020;
  - Mr Joshua Gulabovski was appointed as the sole director and secretary of Custodian on 1 August 2020;
  - Mr Alex Gulabovski is no longer the sole shareholder of Custodian; and
  - Custodian's sole shareholder is now an entity in which Mr Joshua Gulabovski holds a controlling interest.

In light of the above, please confirm the AFSL and Credit Licence (or authorised representative) numbers and details for Mr Joshua Gulabovski, Custodian, and the AperioMoney group (also see paragraph N above).

10. Please confirm whether:
  - a) The funding for the pre-factoring financing facility agreements has been provided directly by Mr Alex Gulabovski, Mr Joshua Gulabovski, or by a client(s) of Messrs Gulabovski/Aperio.
  - b) There is any relationship or connection between Custodian or the Aperiomoney Group and State Securities.
11. How many SKN securities does Custodian hold?
12. SKN announced the issue of 300,000 shares to Custodian 'for corporate financial services' on 12 June 2020, while the related Appendix 2A disclosed that the issue date was 14 May 2020 (see paragraphs L and M above).

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Why wasn't the issue of shares to Custodian on 14 May 2020 announced to the market prior to 12 June 2020?

13. Who introduced SKN to Custodian (see paragraph N above), and was any introduction fee paid in relation to the introduction or the subsequent agreements between SKN and Custodian?

*General*

14. Does SKN consider that it has adequate resources, systems and controls to comply with its obligations under the Listing Rules? If the answer to this question is:
- a) 'yes', please explain why SKN considers that its resources, systems and controls are adequate.
  - b) 'no', what steps does SKN intend to take to ensure that it has adequate resources, systems and controls to comply with its obligations under the Listing Rules?
15. Please confirm that SKN is complying with the Listing Rules and, in particular, Listing Rule 3.1.
16. Please confirm that SKN's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SKN with delegated authority from the board to respond to ASX on disclosure matters.

**When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **10:00am AWST on Tuesday, 6 October 2020**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SKN's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph.

Your response should be sent to your listings adviser by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow ASX to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

**Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to SKN's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that SKN's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

**Release of correspondence**

ASX reserves the right to release a copy of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

**Enquiries**

If you have any queries or concerns about any of the above, please contact your listings adviser immediately.

Yours sincerely

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**Clare Porta**  
ASX Compliance