



1 February 2021

Quarterly Activity Report - Period ending 31 December 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 December 2020.

Quarterly Highlights

- SKN submits TGA Registration for Invisi Shield® Hospital Grade Disinfectant
- SKN relocates to new Head Office at 1242 Hay Street West Perth.
- SKN appoints new Non-Executive Director.
- SKN raises \$2.2 million through option exercise.
- SKN has net operating cash outflows of \$1,008k for the quarter with cash on hand of \$861k.

SKN submits TGA Registration for Invisi Shield Hospital Grade Disinfectant

Since launching Invisi Shield® Organics, SKN has a continual ongoing process of development for its SE Formula™, including sourcing of a range of ingredients from numerous different national and international suppliers. SKN is continuing to investigate the use of the SE Formula™ in a range of applications for Invisi Shield® Organics as a sanitiser and as a disinfectant.

SKN has submitted its application for Therapeutic Goods Administration (TGA) registration of the new formula Invisi Shield® Organics as a hospital grade disinfectant. A successful registration with the TGA will allow the Company to make more detailed and specific product and label claims in respect to Invisi Shield® which has the potential to open up significant new commercial scale sales and distribution opportunities for Invisi Shield®.

SKN relocates to new Head Office at 1242 Hay Street West Perth

SKN has relocated to a new Head Office at 1242 Hay Street, West Perth, Western Australia. This new leased premises provides for sufficient space for Skin Elements' corporate, product development, and sales & marketing operations including a retail shop front.

Natural Science by Skin Elements

SKN Appoints New Director

SKN has appointed Mr John Poulsen to the Board as a Non-Executive Director. Mr John Poulsen's appointment brings broad experience and skills to the Board, assisting the Company to develop its corporate strategy and governance as it transitions from research & development to commercial operations.

SKN Options Exercised

During the quarter, 28,275,965 unlisted options were exercised for \$848,278 cash received, and 4,882,930 listed options were exercised for \$488,293 cash received, for a total of \$1,336,571 cash received.

Skin Elements previously announced on 16 April 2020 that it entered into an underwriting agreement with State Securities Pty Ltd to underwrite \$10.5 million from the exercise of the Company's options. With the options expiring on 31 December 2020, the shortfall amount has been calculated at \$9,101,870. The Underwriter advanced \$500,000 of this shortfall amount during the quarter, and a further \$405,000 has been received subsequent to the quarter end.

Summary of Operation Cashflows

Whilst SKN has continued to operate during the quarter, the impact of COVID-19 restrictions has seen delay of orders from national and international distributors and restrictions on travel and therefore 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.

The Company's business activities as reported above including customer receipts of \$72k, government R&D Rebates, Jobkeeper subsidy and Cashflow boost incentives of a total of \$107k, and cash outflows of \$1,187k being for research & development costs, product manufacturing, marketing, and overheads as detailed in the Appendix 4C, resulting in net cash used in operating activities of \$1,008k for the quarter. With a further \$1,303k net cash received from equity placement, options conversions and borrowings, cash on hand at the end of the quarter was \$861k.

Included in the operational cash outflows for the quarter is \$94,000 paid to entities associated with the Directors for executive services and directors' services in accordance with services agreements, details of which have been disclosed in the Company's 2020 Annual Report.



Manufacturing

During the quarter, SKN completed 9,675 units of Soleo Organics Face Formula Sunscreen, and further noting:

- orders placed with Baxter Laboratories for a further 100,000 units of Soleo Organics sunscreen ranges of which production of 30,000 units are underway.
- currently experiencing longer lead-times in sourcing ingredients used in production with further production of over 5,000 units of its PapayaActivs therapeutic range once production times have been secured.
- initial production of Invisi-Shield Organics commenced with key ingredients and packaging for over 100,000 units having been secured. Production will now scale up once TGA registration has been advised.

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

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;

"With Skin Elements completing its capital raising program including the exercise of the options, the Company is now firmly positioned to execute its corporate and operation plans to bring the full range of SE Formula products to the market."

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

ENDS.



For further information please contact

Peter Malone
Executive Chairman
Skin Elements Limited
T: +61 439 430 770
E: peter@senatural.com

Media and Investor Inquiries
James Moses
Mandate Corporate
T: +61 420 991 574
E: james@mandatecorporate.com.au

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 new Invisi-Shield Organics range of disinfectants currently being assessed for TGA approval in Australia, 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 (ASX:SKN)

ABN

90 608 047 794

Quarter ended (Current quarter)

31 December 2020

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	72	147
1.2 Payments for:		
(a) research and development	(681)	(802)
(b) product manufacturing and operating costs	(23)	(222)
(c) advertising and marketing	(76)	(138)
(d) leased assets	-	-
(e) staff costs	(136)	(221)
(f) administration and corporate costs	(233)	(307)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(38)	(90)
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	107	761
1.8 Other: (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,008)	(872)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(30)	(30)
(d) investments	-	-
(e) intellectual property	(47)	(47)
(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	(77)	(77)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 Months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	120
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	1,337	1,418
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	500	600
3.6 Repayment of borrowings	(500)	(500)
3.7 Transaction costs related to loans and borrowings	(34)	(34)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,303	1,604
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	643	206
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,008)	(872)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(77)	(77)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,303	1,604
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	861	861

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	861	643
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)	861	643

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	94
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 and 6.2 your quarterly activity report must include a description of, and an explanation for, such payments

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7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify): Pre-factoring financing facility	10,000	-
7.4 Total financing facilities	10,000	-

7.5 Unused financing facilities available at quarter end	10,000
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.	

Terms and conditions: Pre-factoring financing facility

During the year pre-factoring financing facility with Custodian Australia Pty Ltd, with the following key terms:

- Total facility \$10,000,000
- Drawdown \$Nil
- Interest rate 15%
- Maturity Six months from drawdown
- Security The drawdown can also be secured against the inventory produced

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,008)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	861
8.3 Unused finance facilities available at quarter end (Item 7.5)	10,000
8.4 Total available funding (Item 8.2 + Item 8.3)	10,861
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	9.3

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:
- 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
 - 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
 - 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

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: Friday, 29 January 2021

Authorised by: The Board of Directors
(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 – e.g. 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.