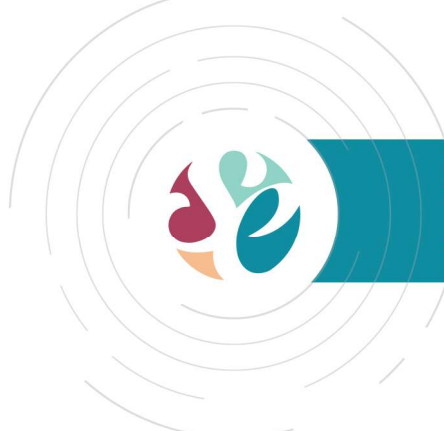




26 February 2021

Half Year Report and Appendix 4D

Skin Elements Limited (**SKN, the Company**) is pleased to provide its Half Year Report and Appendix 4D for the six months ended 31 December 2020.

SKN also advises that pursuant to ASX listing rule 18.1 and ASIC Corporations (Amendment) Instruments 2020/1080 (the 'ASIC Relief'), SKN is relying on the ASIC Relief and class waiver from ASX listing rule 4.2B to extend the lodgment date for its audit reviewed Interim Financial Report required to be lodged with ASIC under s320 of the Corporations Act to ASX.

SKN is relying upon the ASIC Relief to provide the auditors additional time to obtain sufficient audit evidence given the increased difficulties caused by the recent COVID-19 restrictions including additional time required to complete the options underwriting shortfall.

The Company further confirms it will immediately make further announcement to ASX if it becomes aware that there will be a material difference between its unaudited and its audit reviewed Half Year Report.

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

END

Natural Science by Skin Elements

1242 Hay Street, West Perth
Western Australia, 6005
P 08 6311 1900

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For further information, please contact:

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About Skin Elements

Skin Elements is an award winning Australian owned and operated ASX-listed skin care company focused on the development of natural and organic skin care products. Skin Elements innovative approach to organic chemical free products has enabled the creation of a portfolio of products that have been sold and distributed across the world. Its flagship products include Invisi-Shield Organics natural alcohol-free sanitiser range, Soléo Organics 100% natural and organic sunscreen, PapayaActivs natural therapeutics skincare, and Elizabeth Jane Natural Cosmetics brand.

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



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SCIENCE

KNOWLEDGE



Half Year Report
Incorporating Appendix 4D
31 December 2020

NATURE

Skin Elements Limited

ABN 90608047794

and its controlled entities

Corporate directory**Current Directors**

Peter Malone	<i>Executive Chairman</i>
Phil Giglia	<i>Non-Executive Director</i>
John Poulsen	<i>Non-Executive Director</i>

Joint Company Secretaries

Steven Wood
Kate Sainty

Registered Office

Street: 1242 Hay Street
WEST PERTH WA 6005
Postal: 1242 Hay Street
WEST PERTH WA 6005
Telephone: +61 (0)8 6311 1900
Facsimile: +61 (0)8 6311 1999
Email: info@senatural.com
Website: www.skinelementslimited.com

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Share Registry

Link Market Services Limited
Street: Level 12, QV1 Building, 250 St Georges Terrace
PERTH WA 6000
Telephone: 1300 554 474 (within Australia)
+61 1300 554 474 (International)
Facsimile: +61 (0)8 6370 4203
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Securities Exchange

Australian Securities Exchange
Level 40, Central Park, 152-158 St Georges Terrace
Perth WA 6000
Telephone: 131 ASX (131 279) (within Australia)
Telephone: +61 (0)2 9338 0000
Facsimile: +61 (0)2 9227 0885
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ASX Code SKN

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Results for announcement to the market

for the half-year ended 31 December 2020

1 REPORTING PERIOD (item 1)			
	Report for the period ended:	31 December 2020	
	Previous corresponding period is half-year ended:	31 December 2019	

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET		Movement	Percentage %	Amount \$
	Revenues from ordinary activities (item 2.1)	Increase	74.70 to	148,200
	Loss from ordinary activities after tax attributable to members (item 2.2)	Increase in loss	21.71 to	(1,349,203)
	Loss after tax attributable to members (item 2.3)	Increase in loss	21.71 to	(1,349,203)
a. Dividends (items 2.4 and 5)				
			Amount per Security ¢	Franked amount per security %
	Interim dividend		nil	n/a
	Final dividend		nil	n/a
	Record date for determining entitlements to the dividend (item 2.5)	n/a		
b. Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):		The revenue and losses for the period reflect continued focus on the development of the Company's SE Formula including the Invisi Shield® sanitiser and disinfectant range.		

3 DIVIDENDS (item 6) AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS	
Nil.	
a.	Details of dividend or distribution reinvestment plans in operation are described below (item 6):
Not applicable	

4 RATIOS		Current period	Previous corresponding period
a. Financial Information relating to 4b:		\$	\$
Earnings for the period attributable to owners of the parent		(1,349,203)	(1,108,530)
Net assets		9,438,423	9,212,353
Less: Intangible assets and deferred tax balances		(8,504,162)	(8,653,824)
Net tangible (liabilities)/assets		934,261	558,529
		No.	No.
Fully paid ordinary shares		361,148,695	323,284,299
		¢	¢
b. Net tangible (liability)/assets backing per share (cents) (item 3):		0.259	0.173

Results for announcement to the market
for the half-year ended 31 December 2020

5 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD: (item 4)

a. Control gained over entities

 Name of entities (item 4.1)	Nil
 Date(s) of gain of control (item 4.2)	n/a

b. Loss of control of entities

 Name of entities (item 4.1)	Nil
 Date(s) of loss of control (item 4.2)	n/a

c. Contribution to consolidated loss from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was gained / lost (item 4.3).

n/a

d. Loss from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)

n/a

6 DETAILS OF ASSOCIATES AND JOINT VENTURES: (item 7)

 Name of entities (item 7)	Nil
 Percentage holding in each of these entities (item 7)	N/A

 Aggregate share of profits (losses) of these entities (item 7)

Current period	Previous corresponding period
N/A	N/A

7 The financial information provided in the Appendix 4D is based on the interim final report (attached), which has been prepared in accordance with Australian Accounting Standards.

8 The Interim Financial Report will be audit reviewed. The Company has applied for ASIC relief and class waiver from ASX listing rule 4.2B to extend the lodgement date for its audit reviewed Interim Financial Report required to be lodged with ASIC under s320 of the Corporations Act to ASX.

Directors' report

Your directors present their report on the Group, consisting of Skin Elements Limited (**Skin Elements** or **the Company**) and its controlled entities (collectively **the Group**), for the half-year ended 31 December 2020.

Skin Elements is listed on the Australian Securities Exchange (ASX: SKN).

1. Directors

The names of Directors in office at any time during or since the end of the half-year are:

-  Peter Malone Executive Chairman and Chief Executive Officer
-  Phil Giglia Independent Non-Executive Director
-  John Poulsen Independent Non-Executive Director (*Appointed on 29 October 2020*)
-  Craig Piercy Executive Director (*Appointed on 29 November 2019, Resigned on 29 October 2020*)

(the Directors or the Board)

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

2. Operating and financial review

2.1. Operations Review

a. *Invisi Shield® Natural Disinfectant and Sanitiser*

Since launching Invisi Shield® Organics, a natural alcohol-free, anti-microbial sanitiser designed to deliver superior protection, SKN has continued 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®.

b. *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

c. *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.

d. *SKN enters into Distribution Agreement for Invisi Shield*

SKN entered into a binding Distribution Agreement with Prudential Consultants Pty Ltd (Prudential Consultants) for the distribution of its Invisi Shield® Organics in Australia.

Prudential Consultants has agreed to minimum sales commitments of \$2.4 million over three years for the exclusive distribution of Invisi Shield® Organics in New South Wales and Tasmania, and also the distribution of Invisi Shield® Organics outside of these territories on a non-exclusive basis.

Prudential Consultants has taken delivery of samples and training materials and has commenced marketing activities for the Invisi Shield® Organics, with orders under the Distribution Agreement expected to commence once TGA registration is obtained.

e. *Global Opportunity*

Skin Elements continues to maintain its focus on developing sales of all of its natural products range in Australia and global markets including major retail pharmacy and health chains in the United Kingdom, the expansion of its online sales portal, and the support to its distributors in Europe.

f. *Manufacturing Underway*

Skin Elements continues to use approved contract production laboratories in Australia to produce its SE Formula product ranges in accordance with Good Manufacturing Practices and TGA requirements. Notwithstanding that these manufacturers have production capacity to meet the Company's requirements for the foreseeable future, the restrictions caused by COVID-19 have delayed production and the delivery of inventories from its contract

Directors' report

g. Funding of Growth Strategies

The Company continually reviews its financial position to ensure that it has sufficient working capital to undertake its growth programs. During the period Skin Elements:

- Placement – completed the issue of 2,000,000 ordinary fully paid shares and 200,000 attaching options to raise \$120,000 cash.
- Options exercising – exercise into fully paid ordinary shares 29,092,632 SKNUOA unlisted options for \$872,778 cash received and 4,882,930 SKNOA listed options for \$488,293 cash received.
- Research and Development rebate – received funds amounting to \$668,418 in relation to the 2020 R&D program and has accrued a further \$335,640 in relation to the 2021 R&D program.
- Pre-production financing facility – Repaid \$500,000 drawdown under the pre-factoring financing facility with Custodian Australia Pty Ltd.

2.2. Financial Review

a. Key profit and loss measures

	Movement (increase/ decrease)	Movement \$	6 months to 31 December 2020 \$	6 months to 31 December 2019 \$
• Revenues from ordinary activities	increased	63,369	148,200	84,831
• Loss from ordinary activities after tax	increased	240,673	(1,349,203)	(1,108,530)
• EBITDA	decreased	239,829	(1,152,931)	(913,102)

b. Key net asset measures

	Movement (increase/ decrease)	Movement \$	31 December 2020 \$	30 June 2019 \$
• Cash and cash equivalents	increased	659,946	865,893	205,947
• Working capital	increased	345,260	653,589	308,329
• Net tangible assets	increased	375,732	934,261	558,529
• Net assets	increased	226,070	9,438,423	9,212,353

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

2.3. Impact of COVID 19 Coronavirus

Whilst SKN has continued to operate from West Perth premises during the period, the impact of COVID-19 restrictions has seen delay of orders from national and international distributors, restrictions on travel and 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 from its contract manufacturers in Victoria and Queensland.

During the period the Company received the Federal Government's Jobkeeper subsidy and Cashflow boost incentives of \$92,500.

2.4. Events Subsequent to Reporting Date

Subsequent to the reporting date, the Company has provided the options Underwriter (State Securities Pty Ltd) with a shortfall notice advising that 90,713,005 SKNOA options and 1,018,992 SKNUOA options have expired.

In regard to this underwriting obligation, the Underwriter has provided the Company with a total of \$1,832,857 in cash comprising \$632,857 for the issue of 6,628,571 shares pursuant to the shortfall, and a further \$1,200,000 for the issue of 12,000,000 ordinary fully paid shares to the Underwriter.

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements as disclosed in Note 7 Events subsequent to reporting date on page 17.

Directors' report

2.5. Future Developments, Prospects, and Business Strategies

Likely developments in the operations, business strategies and prospects of the Group include:

-  The Company will undertake future capital raising through a placement, and the consideration of other equity and debt proposals
-  The Company will continue to focus on development and commercialisation of its natural skin care technology as set out in its review of operations.

Other likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report particularly given the early stage of the Company's commercial operations with its new expanded range of natural and organic products. The Directors believe that the inclusion of such information would be likely to be unreasonably prejudicial to the Group.

This Report of the Directors, is signed in accordance with a resolution of directors made pursuant to section 306(3) of the *Corporations Act 2001* (Cth).

**PETER MALONE**

Executive Chairman

Dated this Friday, 26 February 2021

Condensed consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2020

	Note	Unaudited 6 months to 31 December 2020 \$	Audited 6 months to 31 December 2019 \$
<i>Continuing operations</i>			
Revenue	1.1	148,200	84,831
Cost of sales		(60,019)	(67,107)
Gross profit		88,181	17,724
Other income	1.2	428,130	294,162
Administration expenses	2.1	(497,361)	(367,689)
Advertising and marketing expenses		(145,795)	(90,732)
Amortisation		(196,272)	(195,428)
Corporate expenses	2.2	(181,947)	(156,317)
Consultants fees	2.3	(112,849)	(192,496)
Occupancy costs		(47,511)	(55,221)
Research and development expenses		(683,779)	(362,533)
Loss before tax		(1,349,203)	(1,108,530)
Income tax expense		-	-
Net loss for the half-year		(1,349,203)	(1,108,530)
<i>Other comprehensive income, net of income tax</i>			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income attributable to members of the parent entity		(1,349,203)	(1,108,530)
<i>Earnings per share:</i>			
Basic and diluted loss per share (cents per share)	10.4	(0.410)	(0.680)

The condensed consolidated of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position

as at 31 December 2020

	Note	Unaudited 31 December 2020 \$	Audited 30 June 2020 \$
<i>Current assets</i>			
Cash and cash equivalents	3.1	865,893	205,947
Trade and other receivables	3.2.1	484,720	764,153
Inventories	4.1	212,106	155,705
Other current assets	3.3.1	451,321	441,865
Total current assets		2,014,040	1,567,670
<i>Non-current assets</i>			
Right of use asset - property, plant, and equipment		30,472	-
Intangible assets	4.1	8,504,162	8,653,824
Total non-current assets		8,534,634	8,653,824
Total assets		10,548,674	10,221,494
<i>Current liabilities</i>			
Trade and other payables	3.4.1	476,132	509,141
Borrowings	3.5.1	634,119	500,000
Total current liabilities		1,110,251	1,009,141
Total liabilities		1,110,251	1,009,141
Net liabilities		9,438,423	9,212,353
<i>Equity</i>			
Issued capital	5.1.1	19,145,737	17,607,998
Reserves	5.5	66,637	29,103
Accumulated losses		(9,773,951)	(8,424,748)
Total equity		9,438,423	9,212,353

The condensed consolidated of financial position is to be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2020

	Note	Contributed equity	Accumulated losses	Convertible note reserve	Share-based payment reserve	Total equity
		\$	\$	\$	\$	\$
Audited						
Balance at 1 July 2019		15,286,784	(6,896,381)	492,405	312,338	9,195,146
Loss for the half-year attributable to the owners of the parent		-	(1,108,530)	-	-	(1,108,530)
Adjustment to fair value of convertible note		-	42,206	(42,206)	-	-
Other comprehensive income for the half-year attributable to the owners of the parent		-	-	-	-	-
Total comprehensive income for the half-year attributable to the owners of the parent		-	(1,066,324)	(42,206)	-	(1,108,530)
<i>Transaction with owners, directly in equity</i>						
Shares issued during the half-year (net of costs)	5.1.1	113,675	-	-	-	113,675
Share-based payments during the half-year	5.2	75,351	-	-	18,088	93,439
Converting note funds received and conversion	5.1.1	650,199	-	(450,199)	-	200,000
Balance at 31 December 2019		16,126,009	(7,962,705)	-	330,426	8,493,730
Unaudited						
Balance at 1 July 2020		17,607,998	(8,424,748)	-	29,103	9,212,353
Loss for the half-year attributable to the owners of the parent		-	(1,349,203)	-	-	(1,349,203)
Adjustment to fair value of convertible note		-	-	-	-	-
Other comprehensive income for the half-year attributable to the owners of the parent		-	-	-	-	-
Total comprehensive income for the half-year attributable to the owners of the parent		-	(1,349,203)	-	-	(1,349,203)
<i>Transaction with owners, directly in equity</i>						
Shares issued during the half-year (net of costs)	5.1.1	1,537,737	-	-	-	1,537,737
Share-based payments during the half-year	5.2	-	-	-	37,534	37,534
Balance at 31 December 2020		19,145,735	(9,773,951)	-	66,637	9,438,421

The condensed consolidated of changes in equity is to be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows

for the half-year ended 31 December 2020

	Note	Unaudited 6 months to 31 December 2020 \$	Audited 6 months to 31 December 2019 \$
<i>Cash flows from operating activities</i>			
Receipts from customers		146,363	798,166
Payments to suppliers and employees		(1,697,664)	(3,096,304)
Receipt of research and development tax incentive		668,418	490,630
Interest paid and facility fees		(89,949)	(11,010)
Interest received		-	75
JobKeeper payment scheme and ATO cash flow boost		92,500	-
Net cash used in operating activities		(880,332)	(1,818,443)
<i>Cash flows from investing activities</i>			
Purchase of intangibles		(46,610)	(6,148)
Net cash used in investing activities		(46,610)	(6,148)
<i>Cash flows from financing activities</i>			
Proceeds from issue of shares		1,486,888	1,744,963
Share issue costs		-	(199,795)
Proceeds from convertible notes		-	200,000
Proceeds of borrowings		600,000	-
Repayments of borrowings		(500,000)	-
Net cash provided by financing activities		1,586,888	1,745,168
Net increase in cash and cash equivalents held		659,946	(79,423)
Cash and cash equivalents at the beginning of the half-year		205,947	195,661
Cash and cash equivalents at the end of the half-year	3.1	865,893	116,238

The condensed consolidated of cash flows is to be read in conjunction with the accompanying notes.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2020

In preparing the December 2020 interim financial statements, Skin Elements Limited has grouped notes into sections under the same key categories as used in the June 2020 Annual Report:

 Section A: How the numbers are calculated.....	11
 Section B: Unrecognised items	17
 Section C: Other Information.....	18

The presentation of the notes to the financial statements is supported by the IASB’s Disclosure Initiative. As part of this project, the AASB made amendments to AASB 101 *Presentation of Financial Statements* which have provided preparers with more flexibility in presenting the information in their financial reports.

The financial report is presented in Australian dollars, except where otherwise stated.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

SECTION A. HOW THE NUMBERS ARE CALCULATED

This section provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the entity.

Note	1	Revenue and other income	Unaudited 6 months to 31 December 2020 \$	Audited 6 months to 31 December 2019 \$
1.1		Revenue		
		Sales to customers	148,200	84,831
			148,200	84,831
1.2		Other Income		
		Research and development tax incentives grant income	335,630	294,162
		JobKeeper Payment scheme grant income	67,500	-
		ATO Cash flow boost grant income	25,000	-
			428,130	294,162
Note	2	Loss before income tax	Unaudited 6 months to 31 December 2020 \$	Audited 6 months to 31 December 2019 \$
The following significant revenue and expense items are relevant in explaining the financial performance:				
2.1		Administration expenses		
		 Accounting expenses	65,075	145,617
		 Wages and salaries	247,441	122,939
		 Travel expenses	18,088	15,851
		 Interest expenses and finance facility costs	89,949	-
		 Other expenses	76,808	83,282
			497,361	367,689
2.2		Corporate expenses		
		 ASX fees	32,176	20,583
		 Audit expenses	36,400	34,985
		 Directors fees	18,000	20,000
		 Filing fees	6,735	4,912
		 Legal expenses	77,788	51,492
		 Share Registry and shareholder communications	10,848	24,345
			181,947	156,317
2.3		Contract and consulting fees		
		 Executive services contracts	39,327	173,085
		 Share-based performance rights	37,534	18,088
		 External consulting fees	35,988	1,323
			112,849	192,496

11.2.1a,c

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2020

Note 3 Financial assets and financial liabilities

3.1 Cash and cash equivalents

	Unaudited 31 December 2020 \$	Audited 30 June 2020 \$
Cash at bank	865,893	205,947
	865,893	205,947

3.2 Trade and other receivables

Note

	Unaudited 31 December 2020 \$	Audited 30 June 2020 \$
3.2.1 <i>Current</i>		
Trade receivables	23,461	21,625
Goods and Services Tax receivable	57,513	73,733
Research and Development Grant receivable	335,630	668,418
Other receivables	68,116	377
	484,720	764,153

3.2.2 The Group continued its development program during the half-year ended 31 December 2020 resulting in a claim for research and development tax incentive, for the 2021 financial year, which has been included as a receivable at half-year end.

3.3 Other assets

	Unaudited 31 December 2020 \$	Audited 30 June 2020 \$
3.3.1 <i>Current</i>		
Prepayments – Raw materials	250,200	192,902
Other deposits	201,121	248,963
	451,321	441,865

3.4 Trade and other payables

	Unaudited 31 December 2020 \$	Audited 30 June 2020 \$
3.4.1 <i>Current</i>		
<i>Unsecured</i>		
Trade payables	289,123	300,377
Sundry payables and accrued expenses	170,121	208,764
Unissued shares	16,888	-
	476,132	509,141

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

Note 3 Financial assets and financial liabilities (cont.)

3.5 Borrowings	Note	Unaudited 31 December 2020 \$	Audited 30 June 2020 \$
3.5.1 Current			
Pre-factoring financing facility	3.5.2	-	500,000
Other short-term borrowings	3.5.3	600,000	-
Leases – motor vehicle		34,119	-
		634,119	500,000
3.5.2 Terms and conditions: Pre-factoring financing facility			
During the half-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	9 November 2020		
■ Repaid	\$500,000		
■ Security	The drawdown can also be secured against the inventory produced		
3.5.3 Terms and conditions: Short-term borrowings			
a. During the period, the underwriter advances \$500,000 of its shortfall obligation under the underwriting agreement dated 16 April 2020. Subsequent to reporting date, the amount was applied to the shortfall obligation and 5,000,000 ordinary fully paid shares were issued. No interest was payable.			
b. During the period, the Company received \$100,000 cash advance from a third-party shareholder, to be repaid in cash or applied to a placement application. Subsequent to reporting date, the amount was applied to a placement application and \$1,000,000 ordinary fully paid shares were issued. No interest was payable.			

Note 4 Non-financial assets and financial liabilities

4.1 Inventories	Unaudited 31 December 2020 \$	Audited 30 June 2020 \$
Finished goods	212,106	155,705
	212,106	155,705
4.1 Intangible assets		
	Unaudited 31 December 2020 \$	Audited 30 June 2020 \$
Skin Elements formula and technology	9,859,296	9,859,296
Accumulated amortisation	(1,406,848)	(1,212,476)
	8,452,448	8,646,820
Website development costs	65,610	19,000
Accumulated amortisation	(13,896)	(11,996)
	51,714	7,004
Total intangibles	8,504,162	8,653,824

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

Note 5		Equity				
5.1	Issued capital	Note	Unaudited 31 December 2020 No.	Audited 30 June 2020 No.	Unaudited 31 December 2020 \$	Audited 30 June 2020 \$
Fully paid ordinary shares at no par value			361,148,695	323,284,299	19,145,737	17,607,998
5.1.1	Ordinary shares		6 months to 31 December 2020 No.	12 months to 30 June 2020 No.	6 months to 31 December 2020 \$	12 months to 30 June 2020 \$
	At the beginning of the period		323,284,299	158,404,002	17,607,998	15,286,784
	Shares movement during the period:					
	 31.07.19 Placement		-	4,059,838	-	113,675
	 29.11.19 Convertible note		-	3,001,326	-	450,199
	 31.12.19 Corporate advisory		-	761,538	-	19,800
	 31.12.19 Project management services		-	2,734,892	-	55,551
	 31.12.19 Convertible note		-	12,500,000	-	200,000
	 01.02.20 Placement		-	100,479,822	-	1,004,798
	 20.03.20 Placement		-	29,800,000	-	350,000
	 20.03.20 Lead Manager fee		-	2,500,000	-	25,000
	 20.03.20 Underwriting fee		-	2,000,000	-	25,000
	 20.03.20 Facility fee		-	2,000,000	-	25,000
	 14.05.20 Facility fee		-	300,000	-	25,000
	 22.06.20 Acquisition of IP		-	250,000	-	20,000
	 30.06.20 Options exercise		-	4,492,881	-	134,786
	 17.08.20 Options exercise		483,333	-	14,500	-
	 21.08.20 Share issue		2,000,000	-	120,000	-
	 19.09.20 Options exercise		975,001	-	29,250	-
	 30.09.20 Options exercise		1,247,167	-	37,414	-
	 30.11.20 Options exercise		2,958,465	-	88,754	-
	 11.12.20 Options exercise		6,799,688	-	203,991	-
	 23.12.20 Options exercise		4,159,266	-	124,779	-
	 31.12.20 Options exercise		14,358,546	-	430,757	-
	 31.12.20 Options exercise		4,882,930	-	488,294	-
	Transaction costs relating to share issues		-	-	-	(127,595)
	At reporting date		361,148,695	323,284,299	19,145,737	17,607,998

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2020

Note 5 Equity (cont.)

5.2 Options

	Unaudited 31 December 2020 No.	Audited 30 June 2020 No.	Unaudited 31 December 2020 \$	Audited 30 June 2020 \$
Options	-	126,004,034	-	-
	6 months to 31 December 2020 No.	12 months to 30 June 2020 No.	6 months to 31 December 2020 \$	12 months to 30 June 2020 \$
At the beginning of the period	126,004,034	81,965,315	-	116,816
Options movement during the period:				
🌿 31.12.19 Convertible note	-	3,001,326	-	-
🌿 31.12.19 Convertible note	-	9,375,000	-	-
🌿 06.03.20 Expiry of options	-	(338,000)	-	-
🌿 17.03.20 Placement	-	33,493,274	-	-
🌿 20.03.20 Placement	-	3,000,000	-	-
🌿 30.06.20 Exercise	-	(4,492,881)	-	-
🌿 17.08.20 Options exercise	(483,333)	-	-	-
🌿 21.08.20 option issue	200,000	-	-	-
🌿 19.09.20 Options exercise	(975,001)	-	-	-
🌿 30.09.20 Options exercise	(1,247,167)	-	-	-
🌿 30.11.20 Options exercise	(2,958,465)	-	-	-
🌿 11.12.20 Options exercise	(6,799,688)	-	-	-
🌿 23.12.20 Options exercise	(4,159,266)	-	-	-
🌿 31.12.20 Options exercise	(14,358,546)	-	-	-
🌿 31.12.20 Options exercise	(4,882,930)	-	-	-
🌿 31.12.20 Expiry of options	(90,339,638)	-	-	-
🌿 Previously expired options	-	-	-	(116,816)
At reporting date	-	126,004,034	-	-
Comprising the following options:				
🌿 Listed, ex. price \$0.10 exp. date 31.12.20	-	97,003,641	-	-
🌿 Unlisted, ex. price \$0.03 exp. date 31.12.20	-	29,000,393	-	-
At reporting date	(90,339,638)	126,004,034	-	(116,816)

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2020

Note 5 Equity (cont.)

5.3	Performance rights	Note	Unaudited 31 December 2020 No.	Audited 30 June 2020 No.	Unaudited 31 December 2020 \$	Audited 30 June 2020 \$
	Performance rights		47,000,000	47,000,000	29,103	29,103
			6 months to 31 December 2020 No.	12 months to 30 June 2020 No.	6 months to 31 December 2020 \$	12 months to 30 June 2020 \$
	At the beginning of the period		47,000,000	2,200,000	29,103	195,522
	Performance rights movement during the period:					
	Issued	11.2.1a,c	-	47,000,000	-	29,103
	Fair value adjustments	11.2.1c	-	-	-	27,323
	Lapsed	11.2.1c	-	(2,200,000)	-	(222,845)
	Converted to ordinary shares		-	-	-	-
	At reporting date		47,000,000	47,000,000	29,103	29,103
5.4	Convertible notes (equity)		Unaudited 31 December 2020 No.	Audited 30 June 2020 No.	Unaudited 31 December 2020 \$	Audited 30 June 2020 \$
	Convertible Note		-	-	-	-
			6 months to 31 December 2020 No.	12 months to 30 June 2020 No.	6 months to 31 December 2020 \$	12 months to 30 June 2020 \$
	At the beginning of the period		-	378,842	-	492,405
	Convertible notes movement during the period:					
	Fair value adjustments		-	-	-	(42,206)
	Conversion to ordinary shares		-	(378,842)	-	(450,199)
	At reporting date		-	-	-	-
5.5	Reserves				Unaudited 31 December 2020 \$	Audited 30 June 2020 \$
	Share-based payment reserve				66,637	29,103
	Convertible note reserve				-	-
					66,637	29,103

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

SECTION B. UNRECOGNISED ITEMS

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Note 6 Commitments**6.1 Capital commitments**

At reporting date, the Group does not have any capital commitments

Note 7 Events subsequent to reporting date

Subsequent to the reporting date, the Company has provided the options Underwriter (State Securities Pty Ltd) with a shortfall notice advising that 90,713,005 SKNOA options and 1,018,992 SKNUOA options have expired.

In regard to this underwriting obligation, the Underwriter has provided the Company with a total of \$1,832,857 in cash comprising \$632,857 for the issue of 6,628,571 shares pursuant to the shortfall, and a further \$1,200,000 for the issue of 12,000,000 ordinary fully paid shares to the Underwriter.

There has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Note 8 Contingent liabilities

There are no other contingent liabilities as at 31 December 2020 (30 June 2020: Nil).

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2020

SECTION C. OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Note 9 Related party transactions

Entity	Nature of transactions	KMP	Total Transactions		Payable Balance	
			Unaudited	Audited	Unaudited	Audited
			6 months to 31 December 2020 \$	6 months to 31 December 2019 \$	31 December 2020 \$	31 December 2019 \$
Peter Malone	Executive services	Director	120,000	120,000	64,102	86,866
Phil Giglia	Directors' fees	Director	14,000	14,000	45,400	41,800
John Poulsen	Directors' fees	Director	4,000	-	2,200	-
Craig Piercy	Executive services	Former director (resigned 29.10.20)	-	13,000	-	13,000

Note	10 Earnings per share (EPS)	Note	Unaudited 6 months to 31 December 2020 \$	Audited 6 months to 31 December 2019 \$
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10.1 Reconciliation of earnings to profit or loss

Loss for the half-year	(1,349,203)	(1,108,530)
Loss used in the calculation of basic and diluted EPS	(1,349,203)	(1,108,530)

10.2 Weighted average number of ordinary shares outstanding during the half-year used in calculation of basic EPS

Weighted average number of dilutive equity instruments outstanding	10.5	N/A	N/A
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10.3 Weighted average number of ordinary shares outstanding during the half-year used in calculation of basic EPS

327,630,920	161,897,841
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10.4 Earnings per share

Basic EPS (cents per share)	10.5	(0.41)	(0.68)
Diluted EPS (cents per share)	10.5	N/A	N/A

10.5 As at 31 December 2020 the Group has nil unissued shares under options (December 2019: 126,004,034) and 47,000,000 performance shares on issue (December 2019: 47,000,000). The Group does not report diluted earnings per share on losses generated by the Group. During the half-year, the Group's unissued shares under option and performance shares were anti-dilutive.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

Note	11	Share-based payments	Note	6 months to 31 December 2020 \$	6 months to 31 December 2019 \$
11.1		Share-based payments:			
		 Recognised in profit and loss (expenses)	11.2.1a	37,534	18,088
		Gross share-based payments		37,534	18,088

11.2 Share-based payment arrangements in effect during the half-year**11.2.1 Share-based payments recognised in profit or loss***a. Director and Consultants Performance Rights (2019)*

At the Company's 2019 AGM, shareholder approval was obtained to issue performance rights that will convert into shares upon Performance Milestones being achieved, to incentivise the development of existing Australian and international distribution and online sales channels, and negotiations with major international customers including a major UK retail chemist chain and the development of a major online retailer in the USA, for the sale and delivery of its proprietary expanded natural skincare and suncare product ranges.

These performance rights are issued to Peter Malone, Executive Chairman, and to Palmer Wilson Associates Ltd (**PWA**), a United Kingdom based specialist business development consultancy and have been valued and issued on terms as detailed below and as detailed below and in Note 11.4:

Class of Performance Right	Performance Condition	Performance rights No.		Milestone Date	Expiry Date	Performance Condition Satisfied
		Peter Malone	PWA			
A	The Company receiving revenue from the sale of its products to an aggregate value of \$2,000,000	2,700,000	2,000,000	31 Dec 2023	4 years from the date of issue	No
B	The Company receiving revenue from the sale of its products to an aggregate value of \$6,000,000	5,400,000	4,000,000	31 Dec 2023	4 years from the date of issue	No
C	The Company receiving revenue from the sale of its products to an aggregate value of \$12,000,000	8,100,000	6,000,000	31 Dec 2023	4 years from the date of issue	No
D	The Company receiving revenue from the sale of its products to an aggregate value of \$20,000,000	10,800,000	8,000,000	31 Dec 2023	4 years from the date of issue	No

11.3 Fair value of options granted during the half-year

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

No options were granted during the half-year.

11.4 Fair value of performance rights granted during the half-year

No performance rights were granted during the half-year.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2020

Note 12 Operating segments

12.1 Segment Financial Performance

Unaudited

Half-year ended 31 December 2020

Revenue and other income

- External sales
- Other income

Total segment revenue and other income

Total Group revenue and other income

Segment profit/(loss) before income tax

- Cost of sales
- Administration expenses
- Advertising and marketing expenses
- Amortisation
- Corporate expenses
- Consultants fees
- Share-based payments
- Occupancy costs
- Research and development expenses

Segment profit/(loss) from continuing operations before tax

Group loss before income tax

Audited

Half-year ended 31 December 2019

Revenue and other income

- External sales
- Other income

Half-year segment revenue and other income

Total Group revenue and other income

Segment profit/(loss) before income tax

- Cost of sales
- Administration expenses
- Advertising and marketing expenses
- Amortisation
- Corporate expenses
- Consultants fees
- Share-based payments
- Occupancy costs
- Research and development expenses

Segment profit/(loss) from continuing operations before tax

Group loss before income tax

	Operations \$	Corporate and administration \$	Total \$
Revenue and other income			
■ External sales	148,200	-	148,200
■ Other income	428,130	-	428,130
Total segment revenue and other income	576,330	-	576,330
Total Group revenue and other income			576,330
Segment profit/(loss) before income tax			
■ Cost of sales	(60,019)	-	(60,019)
■ Administration expenses	(347,697)	(149,664)	(497,361)
■ Advertising and marketing expenses	(45,772)	(100,023)	(145,795)
■ Amortisation	(196,272)	-	(196,272)
■ Corporate expenses	(16,651)	(165,296)	(181,947)
■ Consultants fees	(39,327)	(35,988)	(75,315)
■ Share-based payments	-	(37,534)	(37,534)
■ Occupancy costs	(38,004)	(9,507)	(47,511)
■ Research and development expenses	(683,779)	-	(683,779)
Segment profit/(loss) from continuing operations before tax	(851,191)	(498,012)	(1,349,203)
Group loss before income tax			(1,349,203)
Audited			
Half-year ended 31 December 2019			
Revenue and other income			
■ External sales	84,831	-	84,831
■ Other income	294,162	-	294,162
Half-year segment revenue and other income	378,993	-	378,993
Total Group revenue and other income			378,993
Segment profit/(loss) before income tax			
■ Cost of sales	(67,107)	-	(67,107)
■ Administration expenses	(149,776)	(217,913)	(367,689)
■ Advertising and marketing expenses	(90,732)	-	(90,732)
■ Amortisation	(195,428)	-	(195,428)
■ Corporate expenses	(156,317)	-	(156,317)
■ Consultants fees	(71,086)	(103,307)	(174,393)
■ Share-based payments	-	(18,103)	(18,103)
■ Occupancy costs	(55,221)	-	(55,221)
■ Research and development expenses	(362,533)	-	(362,533)
Segment profit/(loss) from continuing operations before tax	(769,207)	(339,323)	(1,108,530)
Group loss before income tax			(1,108,530)

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

Note 12 Operating segments (cont.)**12.2 Segment Financial Position****Unaudited****At as 31 December 2020**

Segment Assets

Reconciliation of segment assets to group assets:

■ Intra-segment eliminations

Total assets

Segment Liabilities

Reconciliation of segment liabilities to group liabilities

■ Intra-segment eliminations

Total liabilities

Operations \$	Corporate and administration \$	Total \$
9,680,168	6,547,156	16,227,324
	(5,678,650)	(5,678,650)
		10,548,674
5,697,658	1,091,243	6,788,901
(5,678,650)	-	(5,678,650)
		1,110,251

Audited**As at 30 June 2020**

Segment Assets

Reconciliation of segment assets to group assets:

■ Intra-segment eliminations

Total assets

Segment Liabilities

Reconciliation of segment liabilities to group liabilities

■ Intra-segment eliminations

Total liabilities

9,999,376	5,327,787	15,327,163
-	(5,105,669)	(5,105,669)
		10,221,494
5,299,048	815,762	6,114,810
(5,105,669)	-	(5,105,669)
		1,009,141

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2020

Note 13 Statement of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the periods presented, unless otherwise stated.

13.1 Basis of preparation

13.1.1 Reporting Entity

Skin Elements Limited (**Skin Elements** or the **Company**) is a listed public company limited by shares, domiciled and incorporated in Australia. This interim financial report is intended to provide users with an update on the latest annual financial statements of Skin Elements Limited and controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in combination with the annual financial statements of the Group for the half-year ended 30 June 2020, together with any public announcements made during the half-year.

13.1.2 Basis of accounting

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The financial statements were authorised for issue on 19 February 2021 by the Directors of the Company.

13.1.3 Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the half-year of \$1,349,203 (31 December 2019: \$1,108,530 loss) and a net cash out-flow from operating activities of \$880,332 (31 December 2019: \$1,818,443 out-flow). As at 31 December 2020, the Group has working capital of \$653,589 (30 June 2020: \$308,329 working capital).

The Directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group's history of raising capital to date, the Directors are confident of the Group's ability to pay its debts as and when they fall due.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

13.1.4 Comparative figures

Where required by AASBs comparative figures have been adjusted to conform to changes in presentation for the current half-year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

13.1.5 New and Amended Standards Adopted by the Group

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group are:

 AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*

 AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*

 AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*

 AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*

 AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*

AASB 2020-4 *Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions*

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

Note 13 Statement of significant accounting policies**13.2 Use of estimates and judgments**

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

13.2.1 Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Note 14 Company details

The registered office of the Company is:

Street + Postal: 1242 Hay Street

WEST PERTH WA 6005

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 23, are in accordance with the *Corporations Act 2001* (Cth) and:
 - (a) comply with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - (b) give a true and fair view of the financial position as at 31 December 2020 and of the performance for the half-year ended on that date of the Company.
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to s303(5) of the *Corporations Act 2001* (Cth) and is signed for and on behalf of the directors by:



PETER MALONE

Managing Director

Dated this Friday, 26 February 2021



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