



23 April 2021

## **Quarterly Activity Report - Period ending 31 March 2021**

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 March 2021.

### **Quarterly Highlights**

- TGA Registration for Invisi Shield® Hospital Grade Disinfectant being considered
- SKN enters into \$20 million equity funding facility
- Finalisation of Options Underwriting.
- SKN announces Entitlement Issue to raise \$2 million.
- SKN appoints new Company Secretary and Operations Manager.
- SKN has net operating cash outflows of \$977k for the quarter with cash on hand of \$1.2 million.

The Company has spent the past quarter finalising its Invisi Shield® launch program. The program has evolved with completion of its development work on the product formulations with submissions to the TGA in Australia.

Marketing and sales activities are progressing with the Company appointed distributor in Australia, Prudential Associates, in readiness for the commencement to sell the Invisi Shield® product once registration is achieved.

Packaging and point of sale materials are in progress with both wholesale and retail products being developed.

The Company is undertaking a recruitment program and has just appointed a new head of operations to ensure the Company has sufficient resources to undertake the product launch. Further recruitment is also being made to cover distributor sales and online sales channels to enable the Company to actively promote and sell the products online.

### **TGA Registration for Invisi Shield Hospital Grade Disinfectant being considered**

The Therapeutic Goods Administration (TGA) is currently considering the registration of Invisi Shield® Organics as a hospital grade disinfectant.

TGA Microbiology is currently reviewing the microbiological efficacy test reports for the Invisi Shield® formulation provided by SKN, noting that TGA is working on a number of priorities relating to the Covid-19 pandemic, with all teams facing competing priorities and resources challenges.

Natural Science by Skin Elements

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 enters into \$20 million equity funding facility**

SKN has entered into a Put Option Agreement (**Agreement**) with LDA Capital, under which LDA Capital has agreed to provide Skin Elements with up to \$20 million in committed equity capital over the next 36 months.

The Agreement enables Skin Elements to issue shares to LDA Capital over the next three years at the Company's discretion at a floor price to be determined by Skin Elements and receive funds for the issue of those shares.

The Agreement allows Skin Elements to access committed equity capital on a flexible basis by managing the timing and size of each capital drawdown. The Agreement ensures that Company has ready access to additional equity capital as required to support its growth into new markets, support existing sales channels and fund the anticipated commercial scale sales and distribution opportunities for Invisi Shield® and the Company's other product lines.

#### **Finalisation of Options Underwriting**

During the quarter, the Company received a further \$1,232,857 cash with 12,328,571 options converted into shares as part of the options underwriting shortfall.

In March 2021, the Underwriter advised the Company that it was no longer able to fulfill its obligations for the balance of the funds due under the Underwriting Agreement due to various factors including parties who had previously commitments to provide funds unable to perform in a timely manner. As set out in the Capital Raising Update of 6 April, both SKN and the Underwriter have released each other from any further obligations pursuant to the Underwriting Agreement with no fees payable to the Underwriter.

#### **SKN announces Entitlement Issue to raise \$2 million**

The Company announce that further to the request from shareholders at its recent Annual General Meeting, the Company will also be undertaking a non-underwritten non-renounceable pro rata entitlement issue at an issue price of \$0.08 per share on the basis of one (1) new shares for every fifteen (15) ordinary shares held. Shareholders who subscribe for the entitlement issue will also receive one attaching listed option for every two new shares issued, exercisable at \$0.10 and expiring 3 years after the date of issue.

Under the entitlement issue up to 25,298,484 shares and 12,649,242 attached options will be issued to raise up to \$2,023,879 (before costs) to be completed in June 2021.

#### **SKN appoints new Company Secretary**

SKN has appointed Mr Phil Giglia to the role of Company Secretary. Mr Giglia is a Chartered Accountant with more than 25 years' experience in senior roles, with a strong depth of expertise in the small to medium enterprise sector.



## Summary of Operating Cashflows

Whilst SKN has continued to finalise its Invisi Shield® natural sanitiser and disinfectant products during the quarter, the impact of COVID-19 restrictions has seen delay of orders from national and international distributors for its range of skincare products with restrictions on travel which reduced ability to meet with distributors and new customers. Additionally, the Company has also experienced increased costs and shipment timeframes for national and international freight, and delayed production and the delivery of inventories.

The Company's research and development focus is reflected in the operating cashflows including customer receipts of \$93k, and cash outflows of \$1,069k including \$636k invested in research and development, with product manufacturing, marketing, and overheads making up the balance as detailed in the Appendix 4C, resulting in net cash used in operating activities of \$977k for the quarter. With a further \$1,233k net cash received from equity placement, options conversions and borrowings, cash on hand is \$1,122k.

Included in the operational cash outflows for the quarter is \$72,000 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 continued to build its product range focusing on Australian made and owned ingredient suppliers and manufacturers , including:

- orders placed with Baxter Laboratories for a further 20,000 units of Soleo Organics sunscreen ranges.
- Orders placed with Tripak for 3,600 units of its PapayaActivs therapeutic range and 26,000 tubes from Australian manufacturers.
- 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](http://www.sknlife.com.au).

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

*"With Skin Elements' capital raising program now secured, the Company can now execute its corporate and operations plans to launch the Invisi Shield® range of new natural sanitisers and disinfectants. This funding capacity will also flow through to the full range of SE Formula products as they enter global markets."*

This announcement has been approved by the Board of Directors of Skin Elements Limited.  
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**For further information please contact**

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**About Skin Elements**

Skin Elements is an Australian owned and operated ASX-listed skin care company focused on the development of natural and organic skin care products, as an alternative to current chemical-based products. It has developed a portfolio of products which includes the 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 March 2021**

#### Consolidated statement of cash flows

	Current Quarter <sup>1</sup> \$A'000	Year to date (9 Months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	93	239
1.2 Payments for:		
(a) research and development	(636)	(1,457)
(b) product manufacturing and operating costs	(11)	(236)
(c) advertising and marketing	(18)	(198)
(d) leased assets	-	-
(e) staff costs	(95)	(316)
(f) administration and corporate costs	(310)	(572)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(89)
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	-	761
1.8 Other: (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(977)</b>	<b>(1,868)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	(36)
(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	-	-

<sup>1</sup> Movements for the current quarter have been adjusted to match the auditor reviewed report for the half year ended 31 December 2020. Movements may not necessarily reconcile to the previous Appendix 4C, which was not reviewed by the auditor.

2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	-	( 36)

### Consolidated statement of cash flows

	Current Quarter <sup>2</sup> \$A'000	Year to date (9 Months) \$A'000
<b>3. Cash flows from financing activities</b>		
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	1,233	3,200
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(500)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	1,233	2,820
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	866	206
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(977)	(1,868)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	( 36)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,233	2,820
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	1,122	1,122

	Current quarter \$A'000	Previous quarter \$A'000
<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	1,122	866
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details):	-	-
<b>5.5 Cash and cash equivalents at end of quarter</b> (should equal item 4.6 above)	1,122	866

### 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	\$72
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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<sup>2</sup> Movements for the current quarter have been adjusted to match the auditor reviewed report for the half year ended 31 December 2020. Movements may not necessarily reconcile to the previous Appendix 4C, which was not reviewed by the auditor.

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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	-
LDA Equity Funding Facility	20,000	-
<b>7.4 Total financing facilities</b>	<b>30,000</b>	<b>-</b>

7.5 **Unused financing facilities available at quarter end** 30,000

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**

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

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

**Terms and conditions: LDA Equity Funding facility**

Key Terms of the LDA Equity Funding Facility are as follows:

- **Term** 36 months
- **Total facility** Put options to require LDA to subscribe for up \$20 million of shares at the Company's election
- **Drawdown** Nil
- **Issue Price** The issue price of the shares pursuant to a put option will be 90% of the higher of:
  - the average VWAP of the Company's shares in the 30 trading day period after the issue of a call option by the Company (subject to any applicable adjustments); and
  - the minimum price notified to LDA Capital by the Company upon the issue of the call notice
- **Limit** During the term of the Agreement, LDA Capital may not hold more than 19.9% of the issued share capital of the Company
- **Security** SKN will issue LDA Capital collateral shares (SKN ordinary fully paid for nil consideration) on a one for one basis to the number of shares issued under the capital call notice less any collateral shares already held by LDA Capital.
- **Capacity** Any placement to LDA Capital is expected to be made under the Company's Listing Rule 7.1 capacity

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 <b>Net cash from / (used in) operating activities</b> (Item 1.9)	(977)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,122
8.3 Unused finance facilities available at quarter end (Item 7.5)	30,000
8.4 Total available funding (Item 8.2 + Item 8.3)	31,122
8.5 <b>Estimated quarters of funding available</b> (Item 8.4 divided by Item 8.1)	31.8

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

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

Answer:

N/A

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

Answer:

N/A

*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, 23 April 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.