



future ready

**SKIN ELEMENTS
LIMITED** ABN 90 608 047 794
and its controlled entities

Annual Report 2021



2021 highlights

Skin Elements develops
the world's first plant
based technology
Hospital Grade
Disinfectant~SuprCuvr

SuprCuvr is the first
and only approved
disinfectant globally
with a 99.99999%
effectiveness against
COVID-19 coronavirus

SuprCuvr is
included on the
Australian Register of
Therapeutic Goods

SuprCuvr is certified by
NASAA certified organic
(National Association for Sustainable
Agriculture Australia)

In 2021 Skin Elements
invested over 15,000
hours on R&D

**\$35 million invested
in research and
development**
(AusIndustry certified Research and
development programme)

Skin Elements Limited is well funded to deliver on its business strategy:

\$2.1 million
placement
completed

\$20 million
funding facility
secured

\$2.0 million
Rights Issue to shareholders announced

**New online ecommerce website to be
launched Early November 2021**
www.suprcuvr.com



Corporate Directory

SKIN ELEMENTS LIMITED

and controlled entities
ABN 90 608 047 794

CURRENT DIRECTORS

Peter Malone (*Executive Chairman*)
Phil Giglia (*Non-executive Director*)
Lee Christensen (*Non-executive Director*)

COMPANY SECRETARY

Phil Giglia

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Fax: +61 (0)8 6311 1999
Email: info@skinelementslimited.com
Web: www.skinelementslimited.com

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(within Australia)
Telephone: +61 (0)2 9338 0000
Facsimile: +61 (0)2 9227 0885
Website: www.asx.com.au
ASX Code: SKN

AUDITORS

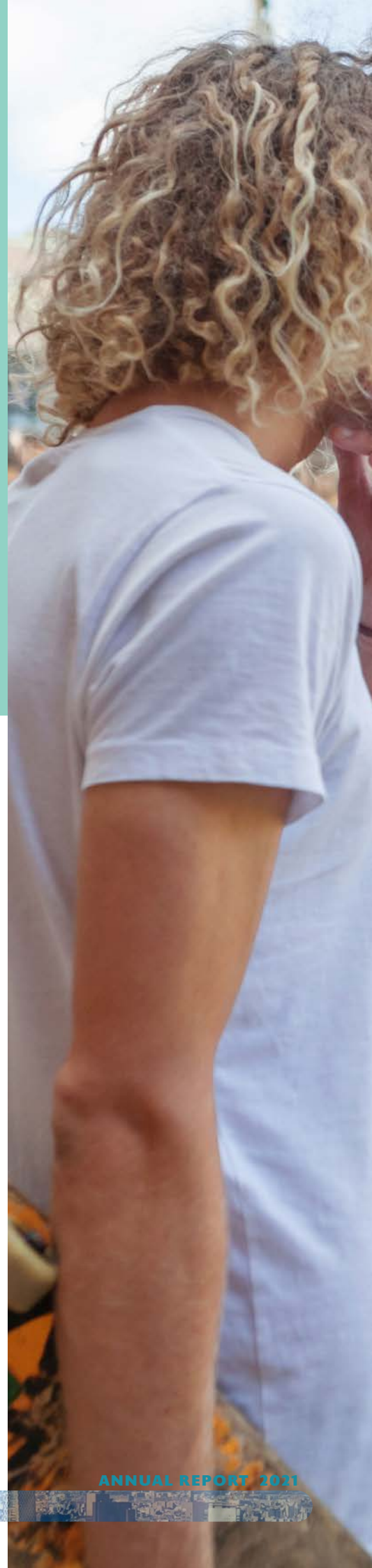
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

SHARE REGISTRY

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**Safety and health
are fundamental
requirements to reach
educational goals**



Chief Executive Officer's Report

Dear Shareholder,

I am pleased to present the Skin Elements Limited Annual Report for the year ended 30 June 2021.

As the impact of the COVID-19 coronavirus pandemic continued to be felt globally throughout the year, Skin Elements continued our focus on advancing the development, regulatory registration and plans to commercialise the SuprCuvr, plant based Hospital Grade disinfectant and the alcohol-free sanitiser product range.

This work culminated in the Company securing Therapeutic Goods Administration (TGA) registration for SuprCuvr as a Hospital-Grade disinfectant. This body of work is something that we are immensely proud of, and the TGA registration is the result of a \$35 million investment

by the Company in life sciences research, over a 15 year period.

In addition, independent laboratory testing of SuprCuvr confirmed that the product has 99.99999% (7 log reduction) effectiveness against COVID-19 coronavirus. The Company's research indicates that this result makes SuprCuvr the first and only approved disinfectant globally with such a high score against COVID-19 coronavirus.

The combination of world leading, exceptionally high efficacy in a 100% plant-based formula represents an significant opportunity for the Company and SuprCuvr in large-scale settings where disinfectants are deployed.

With SuprCuvr now TGA registered, Skin Elements is future ready to play its part in helping global communities to recover and survive.



CEO Peter Malone

Future ready means we have the technology to help our planet survive and recover.

The TGA registration allows the Company to make detailed and specific product and label claims in respect of the product. It also allows us to commence our commercialisation and growth strategy for SuprCuvr - as many distributors and potential sales partners require TGA registration as a pre-requisite for any disinfectant products they propose to use.

This marketing strategy for SuprCuvr is now a prime focus. We are seeking to enter into commercial-scale sales and distribution opportunities in hospitals and aged care settings, as well as in hotels, offices, airports, public transport hubs – and for use within the home.

During the year, SuprCuvr was also certified as a 100% botanical-based certified organic input by NASAA (National Association for Sustainable Agriculture Australia) Organic and



SuprCuvr

Biodynamic Standard. This is an important certification as it is a reflection of the Company's commitment to its natural and organic philosophy across its entire product range.

In addition to the focus on SuprCuvr, the Company's commitment to its range of other natural and organic skin care products remained unchanged.

These products include the flagship Soléo Organics sunscreen range, PapayaActivs range of therapeutic skin treatments and the Elizabeth Jane Natural Cosmetics range, and we look forward to expanding the distribution and sales of these exciting products in the year ahead.

During the year, we secured a \$20 million equity funding facility with US-

based institutional investment group, LDA Capital. This facility will provide substantial funding to help us execute our growth plans for SuprCuvr, and the entire product range. Separately, we also completed a placement, which raised \$2.1 million to support our business plans.

We have announced a \$2.0 million Rights Issue for all shareholders and I recommend shareholders to partake in this issue.

I would like to acknowledge the dedication and commitment of the Skin Elements' team - from board and management, and staff, to our contractors and consultants - to achieving our goals for the business.

Finally, I would like to thank all shareholders for their ongoing support,

in what continues to be challenging times for communities, business and individuals alike in a COVID impacted world.

I look forward to sharing news of our progress in the year ahead.

Peter Malone
Executive Chairman and CEO

Review of Operations

The creation of SuprCuvr

As announced in the second half of 2020 our company pivoted its natural technology programme to develop an organic range of sanitisers and disinfectants to combat the COVID-19 coronavirus problems that we have all had to endure.

The launch of SuprCuvr - the world's first and only approved disinfectant with 99.99999% effectiveness against COVID-19 coronavirus is the culmination of a \$35 million investment in Life Sciences research over a 15 year period.

SuprCuvr has secured Therapeutic Goods Administration (TGA) registration as a Hospital Grade Disinfectant, and Skin Elements is future ready, to play an active role in helping global communities to recover, survive and thrive.

As part of Skin Elements ongoing assessment of its R&D and product development programs, it pays close attention to market needs and the opportunities they present. With the impact of the COVID-19 coronavirus pandemic continuing to be felt across the globe, the Company has assessed that one of the most important goals for people will be to protect themselves and their families from viral infections.

One of the key planks of the global public health response to the COVID-19 coronavirus pandemic has been to ensure that people regularly sanitise or disinfect in order to minimise the chance of spreading the virus.

This extends to large public settings such as hospitals, hotels, transport hubs and stadiums, where a similar focus on disinfecting surfaces has been adopted to stem the spread of the virus.



The use of sanitisers and disinfectants has increased exponentially since the onset of the pandemic. People all over the globe have become accustomed to continuous sanitising practices, and to date the overwhelming majority of these products have chemicals as their active ingredient.

People's first and foremost concern is safety and protection against the virus, but in parallel there is a growing shift in consumer buying patterns towards safer and environment friendly options. If there is a choice between a natural product over a synthetic or chemical-based product, conscious consumers are happy to choose the former, especially if it provides a similar, or higher level of protection – as is the case with SuprCuvr.

The response, Skin Elements has developed a plant-based antimicrobial disinfectant product to combat COVID-19 coronavirus.

SuprCuvr the world's highest rated- COVID-19 coronavirus killing disinfectant.





**We have
developed
plant based
antimicrobial
products to
combat
COVID-19
coronavirus.**

Supracore
Hospital Grade
Surface Spray
Disinfectant
L027

Intel
Core
i7

Review of Operations

The creation of SuprCuvr



Skin Elements has secured Therapeutic Goods Administration (TGA) registration for SuprCuvr as a Hospital Grade disinfectant product, and the product has been issued with an ARTG number, 373328. The ARTG is the register of therapeutic goods that can be lawfully supplied in Australia.

The TGA registration of SuprCuvr represents a major milestone in the product's development timeline. It allows Skin Elements to make detailed and specific product and label claims in respect of the product.

It has also paved the way for Skin Elements to commence its commercialisation and marketing strategy for SuprCuvr. Many distributors, potential sales partners and end users require disinfectant products to have TGA registration, before they will consider entering into any contractual agreements. With the TGA registration now in place, the Company is pursuing

commercial-scale distribution and sales agreements and this activity will be increased over the year ahead.

Target sectors include hospitals and aged-care settings, which are restricted to using only TGA registered disinfectants in their cleaning protocols, and other large-scale opportunities such as hotels, offices, airports, public transport hubs – as well as for home use.

Driving sales for SuprCuvr will be a core focus for the Company in the year ahead and beyond.

Skin Elements' Executive Chairman Mr Peter Malone said:

"We are delighted to have secured registration for SuprCuvr with the Therapeutic Good Administration as a Hospital-Grade Disinfectant. We see the potential to provide an efficacious, 100% plant-based disinfectant in large commercial settings as a major opportunity for SuprCuvr and the Company. With TGA registration now in place, we plan to drive our sales and distribution plans for SuprCuvr,

Conscious consumerism: Increasing awareness amongst masses leading to a shift in buying patterns opting for natural products over synthetic chemicals.

with the aim of delivering significant revenues to the Company, and value for shareholders.”

What makes SuprCuvr Different?

SuprCuvr has benefited from more than 15 years research and development by the Skin Elements’ team in the area of plant-based ingredients and antimicrobials. It is Australian made from a 100% plant-based proprietary formula that is biodegradable, vegan, non-corrosive and non-flammable. And, as with all Skin Elements’ products it is cruelty-free – it has not been tested on animals.

The product does not contain benzalkonium chloride, hydrogen peroxides, quaternary ammonium compounds, bleach/chlorine compounds or other typical chemical ingredients of disinfectant products.

SuprCuvr has also been approved by NASAA Certified Organic as a Certified Input.

The independent laboratory analysis was conducted by internationally recognised Eurofins AMS Laboratories Pty Ltd, which provides chemical, microbiological and physical analytical testing services to many industry sectors.

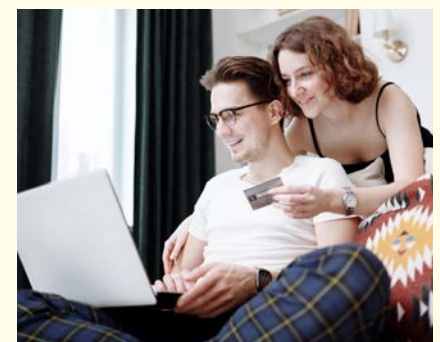
This world-leading efficacy coupled with the fact that the product is made from plant-based, ingredients, positions SuprCuvr to be a world leader in disinfectant COVID-19 coronavirus control.

In terms of infection control, log reduction conveys the level of effectiveness in reducing pathogens. The greater the log reduction, the

more effective the product is at killing COVID-19 coronavirus, bacteria or other pathogens that can cause infections.

For example, each higher Log reduction number is ten times stronger at killing pathogens than the last, as is shown in the following:

• **Log 4 reduction (99.99%) to Log 7 reduction (99.99999%) is 1000x stronger.**



Future Ready

Markets and opportunities

Against the backdrop of the impact of COVID-19 coronavirus, the global antiseptic/disinfectant market is forecast to grow from a current estimated value of USD23.7 billion to an estimated value of USD102 billion by 2028, according to research group Grand View Research.

Skin Elements is future ready to strongly pursue this massive market opportunity.

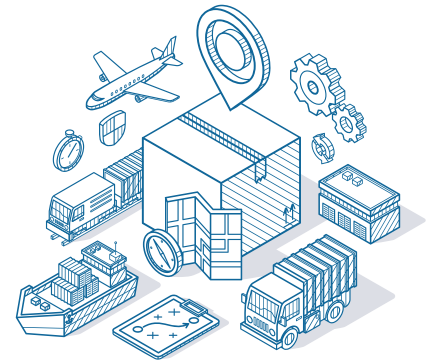
Education



The education sector, from primary school age through to secondary schools and university environments, is one of concern in terms of virus spread, as the impact of COVID-19 coronavirus on children continues to evolve. The safety of teachers and other education personnel is also a key consideration. As the level of vaccination increases across populations, and students and teachers return to face-to-face learning, maintaining a safe environment is of vital importance in ensuring there are no further disruptions to students' learning.

SuprCuvr can be used safely and regularly to help ensure a COVID-19 coronavirus free environment for all in educational settings.

Transport



As the world returns to a more 'normal' way of life as more people are vaccinated, public transport will become more widely used again as a means of daily transport for people. This presents a setting for the spread of COVID-19 coronavirus, with a high density of people in close proximity to each other, in a closed environment. SuprCuvr disinfectant can be safely sprayed on buses, trains, ferries and other forms of public transport at regular intervals to kill COVID-19 coronavirus and provide peace of mind to public transport operators and the travelling public.

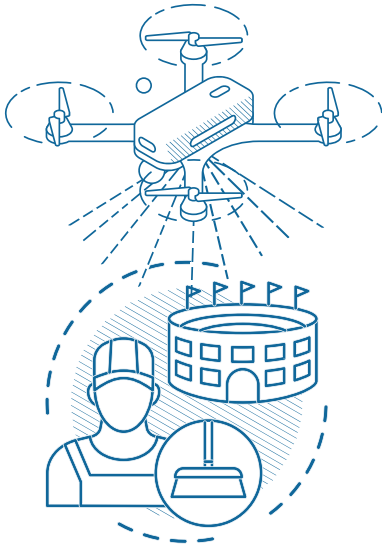
Similarly, the high volume of people typically associated with airports, bus terminals and other mass transport hubs will return in time. These environments are prime settings for the transmission of viruses, and the ability to regularly and safely spray these venues with SuprCuvr offers the potential to minimise the risk of an outbreak.

The plant-based formula of SuprCuvr also means it can be safely used on surfaces which come into regular contact with people and food, including dining settings on board passenger aircraft and cruise-ships.

Aged and Childcare



Stadiums



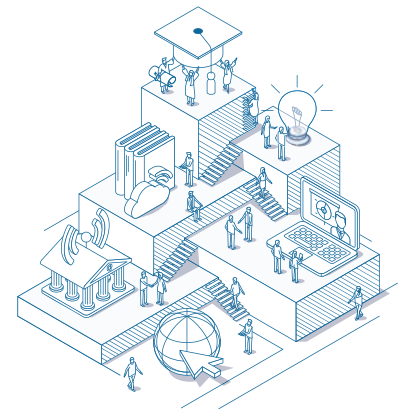
As communities begin to move away from lockdowns and return to previous pastimes and pursuits, crowds are starting to be welcomed back to sporting events at stadiums across the globe. Stadiums are a setting which are susceptible to a viral outbreak, with high numbers of people in close proximity to each other over an extended period of time.

SuprCuvr has the ability to be widely sprayed throughout venues, safely and quickly. The Company is also investigating innovative ways to deploy SuprCuvr in large settings such as stadiums, to spray targeted surfaces.

Aged care is one of the sectors most impacted by the COVID-19 coronavirus pandemic, with aged members of the population acknowledged as being one of the highest risk segments of the community. The ability to use SuprCuvr proactively and also as an ongoing maintenance and prevention measure in aged care facilities has the potential to form a key part of cleaning protocols in aged care facilities.

There is increasing concern about the safety of children, including young children, in the community, and whether or not they are susceptible to catching and spreading the COVID-19 coronavirus. SuprCuvr not only kills all COVID-19 coronavirus particles, but is also able to be sprayed on surfaces which young children contact.

Hospitals Medical



The TGA registration of SuprCuvr allows it to be used as an approved disinfectant and comprehensive deep clean of hospitals and medical centres, which have been at the centre of COVID-19 coronavirus outbreaks. Ensuring the safe operation of hospitals and other medical facilities on an ongoing basis will be essential in making sure that health systems can adequately meet the demands and needs of their populations, and SuprCuvr has the potential to be widely deployed in hospitals and other medical environments.

Testing results of SuprCuvr have also shown its ability to kill other potentially-dangerous pathogenic bacteria, including E.coli and Staph.aureus that can be present in hospital settings.

Our Brands

The SE Formula story

Soléo Organics is the product that began the journey for Skin Elements to offer a range of high-performing skincare products that utilise only natural, plant-based ingredients.

The Company began formulating its SE Formula in 2005, with a vision to provide consumers with a naturally formulated alternative to common synthetic skincare products. The result is a breakthrough, all natural and organic sunscreen, innovatively formulated according to naturopathic principles.

Soléo Organics is very high protection SPF30, broad spectrum sunscreen which protects from both UV-A and UV-B solar radiation while providing natural moisturising skin care from its botanical-extract ingredients.

Soléo Organics has won multiple global awards as the number one sun care product, including from The

Washington Post, Elle magazine and EWG. Its key ingredients have been specially selected based on scientific research, and it is totally free of synthetic preservatives, chemical UV absorbers, nano particles, titanium dioxide, SLS and petroleum by-products.

The product is innovatively designed with a patented non-whitening (micronised) clear zinc, and uses zinc oxide as the active ingredient to provide broad spectrum (UVA and UVB) protection from the harsh rays of the sun, while providing care and protection for the skin, via botanical extracts and anti-oxidants.

Soléo Organics forms a protective layer on the skin so that both UVA rays, the leading cause of premature ageing of the skin, and UVB rays, the leading cause of sunburn, are reflected from the skin's surface.

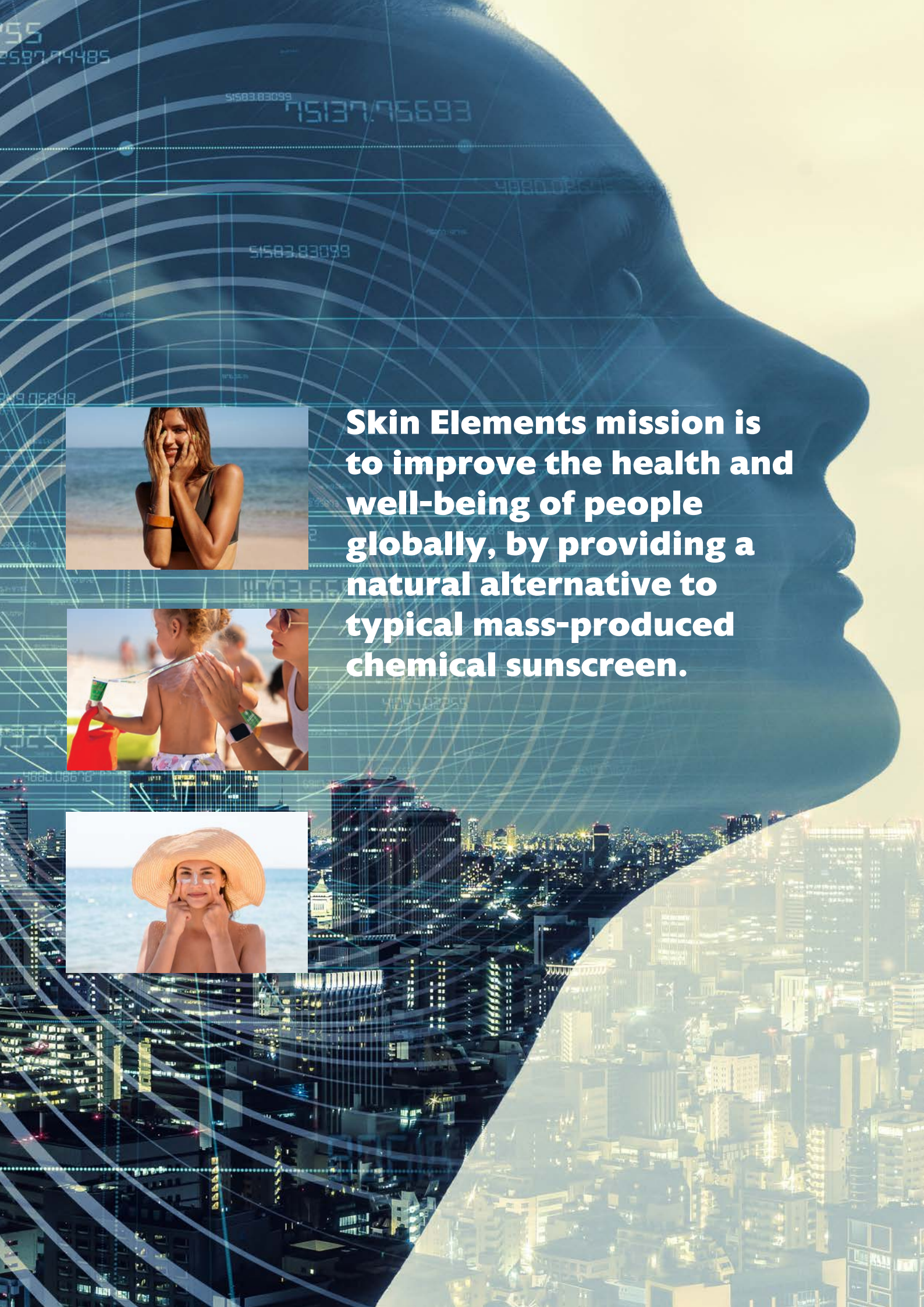
The product is also designed to be environmentally friendly, from its packaging to its contents. The packaging material and container vessel are made from 100% recyclable material, and the contents of Soléo



Organics is 100% all natural and biodegradable.

Skin Elements' mission is to improve the health and well-being of people globally, by providing a natural alternative to typical mass-produced chemical sunscreens, and the Soléo Organics range is now shipped to international markets across the globe.

The product is suitable for use by all ages, in fresh water and salt water, and is non comedogenic.



Skin Elements mission is to improve the health and well-being of people globally, by providing a natural alternative to typical mass-produced chemical sunscreen.

**PapayaActivs is the only
pawpaw cream to have a 60%
(600mg/g) concentration of
natural pawpaw extract -
the highest concentration of
pawpaw extract in the
market.**





Skin Elements ~ PapayaActivs

PapayaActivs - natural therapeutics product range

Skin Elements' PapayaActivs natural therapeutics product range was born out of the Company's strategic acquisition of McArthur Skincare in 2017, and has helped expand its natural skincare product portfolio.

Skin Elements continued to research the process of extracting SE Papaya Formula and to enhance and refine the benefits of SE Papaya Formula in providing relief for a range of skin conditions.

This body of work resulted in the launch of the PapayaActivs range including: Psoriasis, Dermatitis and Rashes Cream, Eczema Cream, Arthritis Cream, Wounds and Burns Cream, and Muscle Aches and Pain Cream.

The PapayaActivs product range combines the power of Papaya with proven ingredients traditionally used in herbal medicine. It is the only pawpaw cream to have a 60% (600mg/g) concentration of natural pawpaw extract - the highest concentration of pawpaw extract in the market. Other

brands' products contain just 3% to 8% pawpaw extract, making our products up to 20 times more concentrated than rival brands.

PapayaActivs contain 100% natural ingredients including chickweed, aloe vera, chamomile and arnica. The product range does not contain any parabens, petrochemicals or sodium lauryl sulphate.

The product range is listed on the TGA's Australian Register of Therapeutic Goods and is designed to help relieve skin conditions like psoriasis, dermatitis, rashes and eczema; assist in healing minor burns and wounds; and relieve mild muscle, joint and arthritic pain

Skin Elements ~ Elizabeth Jane Natural Cosmetics



The Elizabeth Jane Natural Cosmetics skincare range has been developed utilising the same philosophy, of using natural, plant-based ingredients, which underpins the Company's approach to all its R&D and product development activities.



In development, the Elizabeth Jane product range seeks to deliver a cosmetics skincare range utilising only high quality natural and organic ingredients. Cosmetics represents a multi-billion-dollar global industry, and Skin Elements has developed the Elizabeth Jane Natural Cosmetics range with a vision to offer a natural, plant-based alternative to typical chemical-based cosmetics.

The product range includes; age-defy renewal cream, snow white brightening essence, delicate eyes rejuvenation gel, intensive recovery night cream, purifying foam cleanser, hydra-fresh revitalizing spritzer, daily revival moisturising cream, ultra C+ serum and gentle micro-dermabrasion facial polish

Elizabeth Jane Natural Cosmetics formulae are a unique combination of cutting-edge science and innovation partnering with all natural ingredients plus vitamins, and is made in Australia. Key ingredients are specially selected based on independent scientific research

The combination of world-leading, exceptionally high efficacy in a 100% plant-based formula represents an opportunity for the Company.

Your Directors



Mr Peter Malone Executive Chairman
Mr Malone has over 30 years' experience in global financial markets in key leadership roles. Mr Malone is an international entrepreneur and has been responsible for raising in excess of AUD\$150 million for innovative technology development programmes. He has a proven track record in developing and managing the commercialisation of disruptive new technology companies from idea stage through to reality. CEO to listed companies, he has a Masters degree from University of Western Australia and has taught and consulted in Australia, USA, Europe and Asia in business and management. Mr Malone is responsible for the strategic direction of the Company and is the chairman and Chief Executive Officer of the Company.

Mr Phil Giglia Independent Non-Executive Director
Mr Giglia is a Chartered Accountant with more than 30 years' experience, with a strong depth of expertise in the small to medium enterprise sector. He is also a Registered Tax Agent and Company Auditor. Mr Giglia worked for leading global accountancy firm Price Waterhouse Coopers from 1985 to 1991. He is the founder and principal of Perth accountancy practice, Giglia & Associates, and is also a director of Global Marine Enclosures Pty Ltd. Mr Giglia has a Bachelor of Business (with Distinction) from the Western Australian Institute of Technology, and is a Member of the Institute of Chartered Accountants in Australia and New Zealand.

Mr Lee Christensen Independent Non-Executive Director
Mr Christensen is the principal of CX Law, a progressive legal practice in Perth, Western Australia. He has over 30 years' experience as a barrister and solicitor in corporate and commercial law particularly restructuring and solvency, and ASX and ASIC regulatory matters. He is also the Chairman of ASX listed company Titanium Sands Limited. Mr Christensen has a Bachelor of Laws, Bachelor of Jurisprudence and Bachelor of Commerce from the University of Western Australia and was formerly Partner of Gadens in Perth.

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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 financial year ended 30 June 2021.

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 year are:

-  Peter Malone Executive Chairman and Chief Executive Officer
-  Phil Giglia Independent Non-Executive Director
-  Lee Christensen Independent Non-Executive Director (*Appointed on 31 August 2021*)
-  John Poulsen Independent Non-Executive Director (*Appointed on 29 October 2020, resigned on 31 August 2021*)
-  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 financial year to the date of this report unless otherwise stated. For additional information on Directors including details of the qualifications of Directors please refer to paragraph 6 Information relating to the Directors of this Directors Report.

2. Company secretary

The following persons held the position of Company Secretary at the end of the financial year:

-  Phil Giglia Appointed on 9 March 2021. Please refer to paragraph 6 Information relating to the Directors of this Directors Report.
-  Stephen Wood Appointed on 9 October 2020, resigned on 9 March 2021.
-  Kate Sainty Appointed on 9 October 2020, resigned on 9 March 2021.
-  Craig Piercy Resigned on 9 October 2020.





3. Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 30 June 2021.

4. Significant changes in the state of affairs

4.1. Issue of shares, options, and notes

During the year, Skin Elements Limited had the following changes in its capital structure:

-  Raised \$120,000 cash in August 2020 through placement of 2,000,000 ordinary fully paid shares and 200,000 attaching options.
-  Raised \$1,417,737 cash from the exercise into fully paid ordinary shares of 30,981,466 SKNUOA unlisted options and 4,882,930 SKNOA listed options and received a further \$632,857 from issue of 6,328,570 short fall shares.
-  Received further \$1,200,000 cash from the placement of 12,000,000 ordinary shares to State Securities Pty Ltd as part of the completion of their options underwriting obligations.
-  Entered into LDA Capital put option equity facility to provide the Company with up to \$20 million in committed equity capital over the next 36 months. As part considerations for entering into this agreement the Company issued to LDA Capital 26,000,000 unlisted options and 27,500,000 Collateral Shares. Further details are set out in 5.2.h.

There have been no other significant changes in the state of affairs of the Group during the financial year ended 30 June 2021 other than disclosed elsewhere in this Annual Report.

5. Operating and financial review

5.1. Nature of Operations and Principal Activities

Skin Elements Limited is a developer, manufacturer, distributor, and retailer of its leading proprietary all-natural skincare SE Formula™. The SE Formula™ includes the Soleo Organics natural sunscreen brand, the PapayaActivs therapeutic skincare range, Elizabeth Jane Natural Cosmetics, and the recently developed Invisi-Shield SuprCuvr plant-based hospital grade disinfectant range.

Directors' report

5.2. Operations Review

a. *Invisi Shield SuprCuvr Hospital Grade Disinfectant*

Since launching Invisi Shield SuprCuvr, a plant based, anti-microbial disinfectant designed to deliver superior protection against viruses and bacteria, SKN has continued to investigate the use of the SE Formula™ in a range of applications for Invisi Shield SuprCuvr as a hospital grade disinfectant.

Invisi Shield SuprCuvr (AUST-L 373328) has been registered with the Therapeutic Goods Administration (TGA) as a hospital grade hard surface disinfectant that is 99.99999% (7-log) effective against COVID-19 and is also effective against pathogenic bacteria. Invisi Shield SuprCuvr is 100% plant based and is certified as an input for organic production by National Association for Sustainable Agriculture Australia (NASAA) Organic and Biodynamic Standard (NOS).

Successful TGA registration will now allow the Company to make more detailed and specific product and label claims in respect to Invisi Shield SuprCuvr which has the potential to open up significant new commercial scale sales and distribution opportunities for Invisi Shield SuprCuvr.

b. *SKN receives R&D Rebate*

With focus on continued development and testing of its natural anti-microbial technologies, SKN obtained R&D Registration approval from AusIndustry for 2021, and received a R&D Tax Rebate of \$988,711 in July and August 2021.

c. *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.

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

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 manufacturers.

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 year to the date of this report Skin Elements:

- 🎯 Raised \$120,000 cash in August 2020 through placement of 2,000,000 ordinary fully paid shares and 200,000 attaching options.
- 🎯 Raised \$1,417,737 cash from the exercise into fully paid ordinary shares of 30,981,466 SKNUOA unlisted options and 4,882,930 SKNOA listed options and received a further \$632,857 from issue of 6,328,570 short fall shares.
- 🎯 Received further \$1,200,000 cash from the placement of 12,000,000 ordinary shares to State Securities Pty Ltd as part of the completion of their options underwriting obligations. The Company advised on 6 April 2021 that it will not rely on its rights pursuant to the Underwriting Agreement to pursue the underwriter to fulfill any remaining obligations and will not pay any fees to the underwriter.
- 🎯 In September 2021, placed 26,250,000 shares at \$0.08 each in a private placement to sophisticated investors for \$2,100,000 cash (before costs).
- 🎯 Announced a non-renounceable Entitlement Issue on the basis of one new share for every fifteen shares held by eligible shareholders at an issue price of \$0.08 per share together with one attaching new option for every two new shares to raise approximately \$2.023 million (before costs).
- 🎯 Entered into a \$20 million equity placement facility with LDA Capital as detailed below.



Directors' report

h. *LDA Capital put option equity facility*

On 6 April 2021, the Company announced it had entered into a Put Option Agreement (**POA**) with LDA Capital Limited and LDA Capital LLC (together **LDA Capital**), a United States based investment group, to provide the Company with up to A\$20 million in committed equity capital over the next 36 months. The Company would control the timing and maximum amount of the draw down under this facility. The Company has committed to an Initial Drawdown with the size to be determined by the Company.

Under the POA, the subscription price for the shares is set at 90% of the higher of the average VWAP of shares in the 30-trading day period after the issue of the capital call notice, and the minimum acceptable price notified to LDA Capital by the Company upon exercise of the put option. The VWAP calculation and the number of subscription shares is subject to adjustment as a result of certain events occurring including trading volumes falling below an agreed threshold level or a material adverse event occurring in relation to the Company.

As part consideration for entering into POA, the Company issued to LDA Capital 26,000,000 unlisted options all expiring on 15 March 2024 comprising:

- 🎯 10,000,000 unlisted options exercisable at A\$0.12
- 🎯 10,000,000 unlisted options exercisable at A\$0.15
- 🎯 4,000,000 unlisted options exercisable at A\$0.18
- 🎯 2,000,000 unlisted options exercisable at A\$0.22.

The Company is also required to pay a commitment fee of A\$400,000 to LDA Capital which is payable in cash in four equal instalments at closing of the Company's first four capital calls.

On 18 May 2021, the Company issued to LDA Capital 27,500,000 shares (**Collateral Shares**) for nil consideration. LDA Capital will hold these shares until such time that the Company issues the initial call notice. At that time, and subject to certain limitations set out in the POA, LDA Capital may sell collateral shares on market. Under the POA, unused Collateral Shares may be used for a subsequent call, bought back by the Company for nominal consideration or transferred to a trustee or nominee of the Company for nominal consideration.

Agreement

On entering into the POA, The Company recognised the \$400,000 cash commitment fee as a prepayment (asset) and liability to pay this fee. When each of the first four capital calls are closed, the Company will pay each \$100,000 instalment, reduce the liability and the prepaid commitment fee, and recognise this amount to cost of capital.

The issue of the 26,000,000 unlisted options is initially recognised using a fair value assessment of \$604,000 as a prepayment (asset) and derivative liability as LDA Capital can elect to take a lower number of shares in lieu of paying the option exercise price. At balance date, the fair value of the derivative liability has been reassessed to \$545,208 due to the time value of money, and the amount of \$58,792 is recognised as a fair value gain in profit or loss.

The 27,500,000 Collateral Shares have been issued for nil consideration and are held as by LDA Capital until such time that the Company issues the initial call notice. No amount is recognised in the accounts as at balance date, however, treasury shares are disclosed.

i. *Termination of Supply Agreement with Holista Colltech*

On 19 October 2020, SKN announced that the term sheet dated 1 April 2020 with Holista Colltech (HCT) for HCT to supply the Company an ingredient for the Company's Invisi Shield formula had been terminated. The Company has sourced alternative suppliers and the termination of the term sheet is not expected to have a material impact on the operations and production of the Company.

j. *Not Proceeding with option to acquire strategic stake in Beach Toes*

Further to the option granted to SKN on 7 December 2020 for the Company to acquire up to 40% of Sambora Pty Ltd, which owns the Australian nail polish business Beach Toes, SKN has not proceeded with the acquisition and has no further obligations under the agreement.




k. *Recommencement of Trading on ASX*

SKN requested voluntary suspension of trading over the Company's securities on 28 January 2021 pending an announcement by the Company in regard to a material update to the Options Underwriting and Shortfall. SKN provided an announcement on 6 April 2021 confirming that it had finalised the Options Underwriting Agreement. The Company continues to be in voluntary suspension due to the fact the Company is in continuing negotiations with ASX in relation to re-quotations.





Directors' report

5.3. Financial Review

a. Key profit and loss measures

	Movement (increase/ decrease)	Movement \$	30 June 2021 \$	30 June 2020 \$
 Revenues from ordinary activities	<i>decreased</i>	136,426	288,741	425,167
 Loss from ordinary activities after tax	<i>increased</i>	1,132,289	(3,042,523)	(1,910,234)
 EBITDA	<i>increased</i>	(1,119,675)	(2,638,615)	(1,518,940)

b. Key net asset measures

	Movement (increase/ decrease)	Movement \$	30 June 2021 \$	30 June 2020 \$
 Cash and cash equivalents	<i>increased</i>	81,685	287,632	205,947
 Working capital (excluding prepayments)	<i>increased</i>	444,716	810,343	365,627
 Net tangible assets	<i>increased</i>	753,896	1,312,425	558,529
 Net assets	<i>increased</i>	390,222	9,602,575	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.

5.4. Impact of Coronavirus (COVID-19) Pandemic

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

5.5. Events Subsequent to Reporting Date

On 31 August 2021, SKN has appointed Mr Lee Christensen to the Board as a Non-Executive Director. Mr Christensen'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.

Mr Christensen's appointment follows the resignation of Mr John Poulsen as a Non-Executive Director. Mr Poulsen had been appointed earlier in the year following the resignation of Mr Craig Piercy as an Executive Director.



On 31 August 2021, the Company has announced that it has raised \$2.1 million in cash (before costs) to fund its stated business plans including the launch of its new TGA registered Invisi Shield CuprCuvr hospital grade disinfectant. The Company has issued 26,250,000 ordinary fully paid shares at \$0.08 each for \$2,100,000 in cash (before costs) in a private placement to sophisticated investors.

Subsequent to 30 June 2021, the Company received \$988,711 from Research and Development Tax Incentives.

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 13 Events subsequent to reporting date.

5.6. 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 an entitlement issue and LDA Capital equity placement facility; and
-  The Company will continue to focus on development and commercialisation of its SE Formula 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.




Directors' report

5.7. Environmental Regulations

The Group's operations are not subject to significant environmental regulations in the jurisdictions it operates in, namely Australia.

The Directors have considered the enacted *National Greenhouse and Energy Reporting Act 2007* (the NGER Act) which introduced a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act has no effect on the Company for the current, nor subsequent, financial year. The Directors will reassess this position as and when the need arises.

6. Information relating to the Directors


 Peter Malone	<ul style="list-style-type: none"> ■ Executive Chairman and Chief Executive Officer (<i>Appointed 4 September 2015</i>) Non-independent
Qualifications	<ul style="list-style-type: none"> ■ B.Arch. MBA
Experience	<ul style="list-style-type: none"> ■ Mr Malone has over 30 years' experience in global financial markets and has been responsible for raising AUD\$100m+ for technology development companies. He has a proven track record in developing and managing technology development programs, from idea stage to reality. Previous CEO to listed companies, he has a master's degree from UWA and has taught and consulted in Australia, USA, Europe and Asia in business and management. Mr Malone is responsible for the strategic direction of the Group and is its Managing Director and Chief Executive Officer of the Company.
Interest in Shares and Options	<ul style="list-style-type: none"> ■ 26,452,596 Ordinary Shares ■ 27,000,000 Performance rights
Directorships held in other listed entities during the three years prior to the current year	<ul style="list-style-type: none"> ■ None
 Phil Giglia	<ul style="list-style-type: none"> ■ Non-Executive Director (<i>Appointed 22 November 2017</i>) Chairman of the Audit Committee, Remuneration Committee and Nomination Committee, Company Secretary (<i>Appointed 9 March 2021</i>) Independent
Qualifications	<ul style="list-style-type: none"> ■ B.Bus, CA, Registered Company Auditor, Registered Tax Agent
Experience	<ul style="list-style-type: none"> ■ Mr Giglia joined the Skin Elements' Board in November 2017. 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. Mr Giglia worked for leading global accountancy firm Price Waterhouse Coopers from 1985 to 1991. He is the founder and principal of Perth accountancy practice, Giglia & Associates, and is also a director of Global Marine Enclosures Pty Ltd. Mr Giglia has a Bachelor of Business (with Distinction) from Curtin University, and is a Member of the Institute of Chartered Accountants in Australia and New Zealand.
Interest in Shares and Options	<ul style="list-style-type: none"> ■ 4,224,397 Ordinary Shares
Directorships held in other listed entities during the three years prior to the current year	<ul style="list-style-type: none"> ■ None
 Lee Christensen	<ul style="list-style-type: none"> ■ Non-Executive Director (<i>Appointed 31 August 2021</i>) Independent
Qualifications	<ul style="list-style-type: none"> ■ B.Law (Hons), B.Jurisprudence, B.Com
Experience	<ul style="list-style-type: none"> ■ Mr Christensen is the principal of CX Law, a progressive legal practice in Perth Western Australia. He has over 30 years' experience as a barrister and solicitor in corporate and commercial law particularly restructuring and solvency, and ASX and ASIC regulatory matters.

Directors' report


Interest in Shares and Options ■ 37,500 Ordinary Shares

Directorships held in other listed entities during the three years prior to the current year ■ Mr Christensen currently is Non-executive Chairman of Titanium Sands Limited (ASX: TSL) since April 2015.


Former Directors


 **John Poulsen** ■ Non-Executive Director (*Appointed 29 October 2020, resigned 31 August 2021*)
Independent

 Qualifications ■ B.Law (Hons), B.Jurisprudence

 Experience ■ Mr Poulsen joined the Skin Elements Board in October 2020. Mr Poulsen has over 37 years' experience in finance, commercial and public policy law in Australia. He was formerly the Managing Partner and CEO of Squire Patton Boggs (previously Minter Ellison) a top 10 Global Law Firm.

 Interest in Shares and Options ■ 120,000 Ordinary Shares

 Directorships held in other listed entities during the three years prior to the current year ■ None

 **Craig Piercy** ■ Executive Director (*Appointed on 29 November 2019, Resigned on 29 October 2020*)
Company Secretary (*Resigned on 9 October 2020*)
Non-independent

Qualifications ■ B.Bus, CA

Experience ■ Mr Piercy has over 25 years' experience in corporate, accounting and finance. He has worked extensively in development of technology ventures into successful commercial businesses. Mr Piercy is a member of the Institute of Chartered Accountants, and he has been previously responsible for listing and ongoing management of public companies in Australia and the USA.

Interest in Shares and Options ■ 18,906,425 Ordinary Shares (*at date of resignation 29 October 2020*)
10,369,588 Options (*at date of resignation 29 October 2020 which expired on 31 December 2020, subsequent to Mr Piercy's resignation*)

Directorships held in other listed entities during the three years prior to the current year ■ None

7. Meetings of directors and committees

During the financial year, seven meetings of Directors (including committees of Directors) were held.

	DIRECTORS MEETINGS		REMUNERATION AND NOMINATION COMMITTEE		AUDIT AND RISK COMMITTEE		FINANCE AND OPERATIONS COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Peter Malone	7	7	1	1	2	2	At the date of this report, the Finance and Operations Committee comprise the full Board. The Board believes the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate committee. Accordingly, all matters capable of delegation to such committees are considered by the full Board.	
Phil Giglia	7	7	1	1	2	2		
John Poulsen ¹	4	4	-	-	1	1		
Craig Piercy	3	3	-	-	1	1		

¹ Mr John Poulsen was appointed on 29 October 2020 and resigned on 31 August 2021.

Directors' report

7.1. Risk management

The Board takes a pro-active approach to risk management. The Board is ultimately responsible for ensuring that risks and opportunities are identified on a timely basis and the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has established an Audit and Risk Committee that operates under a charter approved by the Board. The purpose of the Audit and Risk Committee is to assist the Board in fulfilling its corporate governance, oversight, risk management and compliance practices responsibilities.

8. Indemnifying officers or auditor

8.1. Indemnification

During the financial year the Company paid a premium in respect of a contract insuring the Directors and officers of the Company against a liability incurred by such directors and officers to the extent permitted by the Corporations Act 2001. The Company has not otherwise during or since the end of the year, indemnified, or agreed to indemnify an officer or an auditor of the Company, or of any related body corporate, against a liability incurred by such an officer or auditor.

8.2. Insurance premiums

During the year, the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. In accordance with the policy, the amount of premium cannot be disclosed.

9. Options

9.1. Unissued shares under option

At the date of this report, the unissued ordinary shares of the Company under option (listed and unlisted) are as follows:

Grant Date	Date of Expiry	Exercise Price \$	Number under Option
1 March 2021	15 March 2024	0.12	10,000,000
1 March 2021	15 March 2024	0.15	10,000,000
1 March 2021	15 March 2024	0.18	4,000,000
1 March 2021	15 March 2024	0.22	2,000,000
			26,000,000

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of the Company or any other body corporate.

9.2. Shares issued on exercise of options

At the date of this report, 35,864,396 ordinary shares have been issued by the Company during the financial year as a result of the exercise of options (2020: 4,492,881). During the year, 90,339,638 options expired.

10. Auditor's independence and non-audit services

10.1. Auditor independence

The Company's auditor's, BDO Audit (WA) Pty Ltd's (**BDO**), independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2021 has been received and can be found on page 33 and forms part of this Directors' report for the year ended 30 June 2021.

10.2. Non-audit services

During the year, BDO Corporate Tax (WA) Pty Ltd provided professional advisory services to assist the Group with the preparation of Research & Development Tax rebate registration. Fees for this service amounted to \$18,777 of which \$9,269 was included at 30 June 2021.

Details of remuneration paid to the auditor can be found within the financial statements at Note 17 Auditor's Remuneration on page 69.

Directors' report

As non-audit services are provided by BDO, the Board followed certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth). These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

11. Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* (Cth) for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001* (Cth).



Directors' report

12. Remuneration report (audited)

This report outlines the remuneration arrangements in place for the key management personnel of Skin Elements Limited (the **Company** or **Group** or individually **Skin Elements**) for the financial year ended 30 June 2021 and comparatives for the year ended 30 June 2020. The information in this remuneration report has been audited as required by s308(3C) of the *Corporations Act 2001* (Cth).


12.1. Key management personnel (KMP) covered in this report

For the purposes of this report KMP of Skin Elements are defined as those persons having authority and responsibility for planning, directing, and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company and all KMP. KMP comprise:

a. Directors

-  Peter Malone Executive Chairman and Chief Executive Officer
-  Phil Giglia Independent Non-Executive Director
-  John Poulsen Independent Non-Executive Director (*Appointed 29 October 2020, resigned 31 August 2021*)
-  Craig Piercy Executive Director (*Appointed 29 November 2019, resigned 29 October 2020*)

b. Other key management

-  Leo Fung Chief Technical Advisor

c. Changes since the end of the reporting period

Mr John Poulsen resigned as independent non-executive director on 31 August 2021 and Mr Lee Christensen was appointed as independent non-executive director on 31 August 2021.

There have been no other changes since the end of the reporting period.

12.2. Principles used to determine the nature and amount of remuneration

a. Remuneration Policy

The Board has established a Nomination and Remuneration Committee. The Committee shall provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities, however, ultimate responsibility for the Company's nomination and remuneration practices remains with the Board. The main functions and responsibilities of the Committee include the following:

-  assisting the Board in examining the selection and appointment practices of the Company.
-  ensuring remuneration arrangements are equitable and transparent and enable the Company to attract and retain executives and directors (executive and non-executive) who will create sustainable value for members and other stakeholders.
-  ensuring the Board is of an effective composition, size, and commitment to adequately discharge its responsibilities and duties.
-  reviewing Board succession plans and Board renewal.
-  reviewing the processes for evaluating the performance of the Board, its committees and individual directors and ensuring that a fair and responsible reward is provided to executives and directors having regard to their performance evaluation.
-  reviewing levels of diversity within the Company and Board and reporting on achievements pursuant to any diversity policy developed by the Board.
-  reviewing the Company's remuneration, recruitment, retention and termination policies for the Board and senior executives; and
-  complying with all relevant legislation and regulations including ASX Listing Rules and *Corporations Act 2001* (Cth).

b. Remuneration structure

The Group's policy for determining the nature and amount of remuneration of KMP is as follows:

Directors' report

12. Remuneration report (audited)

(1) Non-Executive Directors

The remuneration of non-executive Directors will be determined by the Board having regard to the Remuneration Committee's recommendations and evaluation of each individual Director's contribution to the Board.

The maximum aggregate annual remuneration of non-executive directors is subject to approval by the shareholders in general meeting in accordance with the Company's Constitution, the ASX Listing Rules and the *Corporations Act 2001* (Cth). The current maximum aggregate remuneration amount to non-executive directors approved by shareholders under the Constitution is \$500,000 per year. The Directors have resolved that fees payable to non-executive directors for Board activities are \$24,000 per year with an additional fee of \$2,000 per year payable to the Chairman of the Audit and Risk Committee and the Nomination and Remuneration Committee.

(2) Executive Directors and other Senior Executives

The Company's remuneration policy reflects the Company's obligation to align executive remuneration with shareholders' interests and to engage appropriately qualified executive talent for the benefit of the Company. In particular, reward should reflect the competitive global market in which the Company operates, individual reward should be linked to performance criteria, and should reward both financial and non-financial performance of the Director.

The Board and the *Nomination & Remuneration Committee* are in the process of assessing and implementing the Company's executive reward framework to ensure reward for performance is competitive and appropriate for the results delivered.

c. Performance Based Remuneration – Short-term and long-term incentive structure

The Board will review short-term and long-term incentive structures from time to time. Any incentive structure will be aligned with shareholders' interests.

Short-term incentives

No short-term incentives in the form of cash bonuses were granted during the year.

Long-term incentives

The Company has in place an Equity Incentive Plan to provide Performance Rights, Options, or Restricted Shares to Directors, Employees, or contractor of the Company. For the year ended 30 June 2021 other than as set out in the Share-based Compensation – Employee Incentive Plan all executive remuneration is set at base level fixed amounts at commensurate market rates or lower. The Equity Incentive Plan aligns shareholder and stakeholder values with executives as the hurdles embedded in the incentive plans include target share price milestones which are typically set at prices above the current share price at the date of issue and expire within a defined timeframe.

The executive Directors will be eligible to participate in any short term and long-term incentive arrangements operated or introduced by the Company (or any subsidiary) from time to time.

The relative proportions of executive remuneration that is fixed or at risk is outlined below:

Group KMP	Contract Commencement / Termination Date	Proportions of Elements of Remuneration Not Related to Performance (Fixed remuneration)		Proportions of Elements of Remuneration Related to Performance (At Risk – LTI)	
		2021	2020	2021	2020
		%	%	%	%
Peter Malone	Appt 4.9.2015 ⁽¹⁾	89	85	11	15
Phil Giglia	Appt 22.11.2017	100	100	-	-
John Poulsen	Ceased 31.08.2021	100	-	-	-
Craig Piercy	Appt 29.11.2019 ⁽¹⁾	100	100	-	-
Leo Fung	Appt 18.02.2019 ⁽¹⁾	100	100	-	-
Luke Martino	Ceased 10.10.2019	-	71	-	29

⁽¹⁾ These appointment dates are for the ultimate holding company Skin Elements Limited. Mr Malone, Mr Piercy, and Mr Fung were appointed as executives of wholly owned subsidiary SE Operations Pty Ltd on 1 March 2005.

d. Service agreements

Remuneration and terms of employment for other key management personnel are formalised in consultancy and employment agreements. The major provisions relating to remuneration to existing directors are set out below.

Directors' report

12. Remuneration report (audited)

(1) Executive Agreement

(A) **Peter Malone** *Executive Chairman*

The Company has entered into a consultancy agreement with Boston Technology Management Pty Ltd (**Boston Consultancy Agreement**) to provide services to the Group. Mr Peter Malone is engaged by Boston Technology Management Pty Ltd to act as the Executive Chairman and Chief Executive Officer of the Group. Boston Technology Management Pty Ltd is paid a consulting fee of A\$20,000 (plus GST) per month for at least 100 hours of service per month and is reimbursed for reasonable expenses incurred in the performance of its duties.

The Boston Consultancy Agreement is on a continuing basis unless terminated by either party. The Boston Consultancy Agreement contains standard termination provisions under which the Company must give 3 months' written notice of termination (or shorter period in the event of a material breach) or alternatively payment in lieu of service. At the end of the notice period the Company must pay to - Boston Technology Management Pty Ltd an amount equal to the consulting fee that would otherwise be payable to Boston Technology Management Pty Ltd over the 3-month period if the engagement had not been terminated.

(B) **Leo Fung** *Chief Technical Advisor*

The Company has entered into a consultancy agreement with Blackridge Group Pty Ltd (Blackridge Consultancy Agreement) to provide services to the Group. Mr Leo Fung is engaged by Blackridge Group Pty Ltd to act as the Chief Technical Advisor of the Group. Blackridge Group Pty Ltd is paid a consulting fee of A\$13,000 (plus GST) per month for at least 100 hours of service per month and is reimbursed for reasonable expenses incurred in the performance of its duties.

The Blackridge Consultancy Agreement is on a continuing basis unless terminated by either party. The Blackridge Consultancy Agreement contains standard termination provisions under which the Company must give 3 months written notice of termination (or shorter period in the event of a material breach) or alternatively payment in lieu of service. At the end of the notice period the Company must pay to Blackridge Group Pty Ltd an amount equal to the consulting fee that would otherwise be payable to Blackridge Group Pty Ltd over the 3-month period if the engagement had not been terminated.

(C) **Craig Piercy** *Former Executive Director, Company Secretary and Chief Financial Officer*

The Company has entered into a consultancy agreement with Boston Technology Management Pty Ltd (Boston Consultancy Agreement) to provide services to the Group. Mr Craig Piercy is engaged by Boston Technology Management Pty Ltd to act as the Company Secretary and Chief Financial Officer of the Group. Boston Technology Management Pty Ltd is paid a consulting fee of A\$13,000 (plus GST) per month for at least 100 hours of service per month and is reimbursed for reasonable expenses incurred in the performance of its duties.

The Boston Consultancy Agreement is on a continuing basis unless terminated by either party. The Boston Consultancy Agreement contains standard termination provisions under which the Company must give 3 months written notice of termination (or shorter period in the event of a material breach) or alternatively payment in lieu of service. At the end of the notice period the Company must pay to Boston Technology Management Pty Ltd an amount equal to the consulting fee that would otherwise be payable to Boston Technology Management Pty Ltd over the 3-month period if the engagement had not been terminated. These amounts have been included in the remuneration report below.

(2) Non-executive Director Agreement

(A) **Phil Giglia** *Non-executive Director*

The Company has entered into an agreement with Colosseum Securities Pty Ltd (**Giglia Agreement**). Mr Giglia is engaged by Colosseum Securities Pty Ltd to provide non-executive director services and Company Secretary to the Company. Colosseum Securities Pty Ltd is paid a fee of A\$24,000 (plus GST) per annum and \$2,000 (plus GST) per annum as chairman of the audit and risk committee. Mr Giglia will also be reimbursed for reasonable expenses incurred in the performance of his duties as a non-executive Director of the Company.

(B) **John Poulsen** *Non-executive Director Appointed on 29 October 2020, resigned on 31 August 2021*

The Company has entered into an agreement with Mr Poulsen. Mr Poulsen is engaged to provide non-executive director services to the Company. Mr Poulsen will be paid a fee of A\$24,000 (plus GST) per annum. Mr Poulsen will also be reimbursed for reasonable expenses incurred in the performance of his duties as a non-executive Director of the Company.

e. Engagement of Remuneration Consultants

During the financial year, the Company did not engage any remuneration consultants.

Directors' report

12. Remuneration report (audited)

f. Relationship between Remuneration of KMP and Earnings

In considering the Group's performance and benefits for shareholders wealth, the Board has regard to the following indices in respect of the current financial year and the previous four financial years (where applicable):

As at 30 June	2021	2020	2019	2018
Revenue (\$)	288,741	425,167	798,107	838,292
Net loss before tax (\$)	(3,042,523)	(1,910,234)	(1,967,761)	(2,728,114)
Share price (cents per share)	10.00 ¹	8.00 ²	2.50	2.70

¹ At last trade date, 14 January 2021. Company is suspended as at the date of this report.

² At last trade date, 8 May 2020. Company was suspended until reinstatement on 16 October 2020.

12.3. Directors and KMP remuneration

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the Group. Such amounts have been calculated in accordance with Australian Accounting Standards.

2021– Group Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity	Performance Rights	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Peter Malone ⁽¹⁾	240,000	-	-	-	-	-	-	-	28,515	268,515
Filippo (Phil) Giglia ⁽²⁾	26,000	-	-	-	-	-	-	-	-	26,000
John Poulsen ⁽³⁾	16,000	-	-	-	-	-	-	-	-	16,000
Craig Piercy ⁽⁴⁾	156,000	-	-	-	-	-	-	-	-	156,000
Leo Fung ⁽⁵⁾	156,000	-	-	-	-	-	-	-	-	156,000
	594,000	-	-	-	-	-	-	-	28,515	622,515

⁽¹⁾ Peter Malone, fees paid to Boston Technology Management Pty Ltd.

⁽²⁾ Filippo (Phil) Giglia, fees paid to Colosseum Securities Pty Ltd, agreement commenced on 22 November 2017.

⁽³⁾ John Poulsen was appointed on 29 October 2020 and resigned on 31 August 2021.

⁽⁴⁾ Craig Piercy, fees paid to Boston Technology Management Pty Ltd. Mr Piercy resigned as executive director on 29 October 2020.

⁽⁵⁾ Leo Fung, fees paid to Blackridge Group Pty Ltd who engage Leo Fung.

Directors' report

12. Remuneration report (audited)

2020 – Group											
Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total	
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other	Equity	Performance Rights			
	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Peter Malone ⁽¹⁾	240,000	-	-	-	-	-	-	-	41,559	281,559	
Luke Martino ⁽⁴⁾	6,000	-	-	-	-	-	-	-	2,477	8,477	
Filippo (Phil) Giglia ⁽²⁾	26,000	-	-	-	-	-	-	-	-	26,000	
Zeling Li ⁽⁵⁾	-	-	-	-	-	-	-	-	-	-	
Jialin Li ⁽⁵⁾	-	-	-	-	-	-	-	-	-	-	
Craig Piercy ⁽³⁾	156,000	-	-	-	-	-	-	-	-	156,000	
Leo Fung ⁽⁶⁾	156,000	-	-	-	-	-	-	-	-	156,000	
	584,000	-	-	-	-	-	-	-	44,036	628,036	

⁽¹⁾ Peter Malone, fees paid to Boston Technology Management Pty Ltd.

⁽²⁾ Filippo (Phil) Giglia, fees paid to Colosseum Securities Pty Ltd, agreement commenced on 22 November 2017.

⁽³⁾ Craig Piercy, appointed on 29 November 2019, fees paid to Boston Technology Management Pty Ltd.

⁽⁴⁾ Luke Martino resigned on 10 October 2019.

⁽⁵⁾ Zeling Li and Jialin Li resigned on 29 November 2019.

⁽⁶⁾ Leo Fung, fees paid to Blackridge Group Pty Ltd who engage Leo Fung.

12.4. Share-based compensation

- a. As at the date of this report the Company had the following securities on issue/lapse in connection with KMP share-based payments:

2021 – Group								
Group KMP	Type of rights	Number of rights at the start of the year	Value of rights at grant date ⁽¹⁾	Number of Rights vested during the year	Value of rights at vesting date ⁽¹⁾	Number of Rights lapsed during the year	Value at lapse date	
		No.	\$	No.	\$	No.	\$	
Peter Malone	2019 Tranche A	2,700,000	11,664	-	-	-	-	
	2019 Tranche B	5,400,000	23,328	-	-	-	-	
	2019 Tranche C	8,100,000	34,992	-	-	-	-	
	2019 Tranche D	10,800,000	46,656	-	-	-	-	
		27,000,000	116,640	-	-	-	-	

⁽¹⁾ The value at grant date calculated in accordance with AASB2 *Share-based payments* of rights granted as part of remuneration. These have been valued at fair value determined using Black Scholes option pricing model. No adjustment has been made for the value of rights which lapsed during the year.

- b. Employee Incentive Plan

The Company has established an Equity Incentive Plan (EIP) to assist in the motivation, retention and reward of senior management and other employees. The EIP is designed to align the interest of senior management and other employees with the interest of Shareholders by providing an opportunity for the participants to receive an equity interest in the Company.

Directors' report

12. Remuneration report (audited)

12.5. KMP equity holdings

a. Fully paid ordinary shares of Skin Elements Limited held by each KMP

The number of ordinary shares in the Company held during the financial year by each Director of Skin Elements Limited and any other KMP of the Company, including their personally related parties, are as follows.

2021– Group Group KMP	Balance at start of year or date of appointment No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year No.	Balance at end of year No.
Peter Malone	23,638,490	-	2,814,106	-	26,452,596
Filippo (Phil) Giglia	3,535,409	-	744,281	(55,293)	4,224,397
John Poulsen ⁽¹⁾	-	-	-	120,000	120,000
Craig Piercy ⁽²⁾	18,906,425	-	2,250,766	(1,137,647)	20,019,544
Leo Fung	-	-	-	-	-
	46,080,324	-	5,809,153	(1,072,940)	50,816,537

⁽¹⁾ John Poulsen was appointed on 29 October 2020 and resigned on 31 August 2021.

⁽²⁾ Craig Piercy resigned on 29 October 2020.

b. Options in Skin Elements Limited held by each KMP

The number of options over ordinary shares in the Company held during the financial year by each Director of Skin Elements Limited and any other KMP of the Group, including their personally related parties, are as follows:

2021– Group Group KMP	Balance at start of year or date of appointment No.	Granted as Remuneration during the year No.	Exercised during the year No.	Other changes during the year No.	Expired No.	Balance at end of year or date of resignation No.
Peter Malone	14,211,234	-	(2,814,106)	-	(11,397,128)	-
Filippo (Phil) Giglia	799,572	-	(744,281)	52,293	(107,584)	-
John Poulsen ⁽¹⁾	-	-	-	-	-	-
Craig Piercy ⁽²⁾	10,369,588	-	(2,250,766)	-	(8,118,822)	-
Leo Fung	-	-	-	-	-	-
	25,380,394	-	(5,809,153)	52,293	(19,623,534)	-

⁽¹⁾ John Poulsen was appointed on 29 October 2020.

⁽²⁾ Craig Piercy resigned on 29 October 2020. Options since expired on 31 December 2020, subsequent to Craig Piercy's resignation.

c. Performance Rights of Skin Elements Limited held by each KMP

The number of Performance Shares in Skin Elements Limited held, directly, indirectly or beneficially, by each KMP, including their personally-related entities for the year ended 30 June 2021 is as follows:

2021– Group Group KMP	Balance at start of year or date of appointment No.	Received during the year as compensation No.	Other changes during the year No.	Balance at end of year or date of resignation No.	Maximum value yet to vest \$
Peter Malone	27,000,000	-	-	27,000,000	71,406
Filippo (Phil) Giglia	-	-	-	-	-
John Poulsen	-	-	-	-	-
Craig Piercy	-	-	-	-	-
Leo Fung	-	-	-	-	-
	27,000,000	-	-	27,000,000	71,406

Directors' report

12. Remuneration report (audited)

12.6. Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights, and shareholdings.

12.7. Other transactions with KMP and or their Related Parties

a. Other Transactions with Key Management Personnel

Indian Ocean Advisory Group (a company associated with Mr Martino, up to the date he ceased being a Director of the Company), provided professional accounting and corporate advisory services. The services are at commercial arms-length hourly rates.

	2021	2020
	\$	\$
	-	19,682
	-	19,682

During the year, an amount of \$100,000 recorded at half year ended 31 December 2020 as a short-term payable to non-related third parties was assigned to Boston Technologies Management Pty Ltd, of which Mr Craig Piercy is sole director. This amount was included in the normal commercial fees and expenses working capital account provided by Boston Technology Management Pty Ltd and was repaid in the ordinary course. No interest is paid to Boston Technology Management Pty Ltd on outstanding amounts.

During the year, an amount of \$100,000 was provided by Boston Technology Management Pty Ltd and Blackridge Group Pty Ltd to a third-party supplier as part of the Invisi Shield development project. This amount was included in the normal commercial fees and expenses working capital account provided by Boston Technology Management Pty Ltd and Blackridge Group Pty Ltd and was repaid in the ordinary course. No interest is paid to Boston Technology Management Pty Ltd and Blackridge Group Pty Ltd on outstanding amounts.

There have been no other transactions in addition to those described in the tables or as detailed in Note 16 Related party transactions.

12.8. Voting of shareholders at last year's annual general meeting (AGM)

The Company received 99.45% proxy votes and 100% poll votes of "yes" votes on its remuneration report for the 2020 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

END OF REMUNERATION REPORT

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001* (Cth).



PETER MALONE

Executive Chairman

Dated this Wednesday, 29 September 2021



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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF SKIN ELEMENTS LIMITED

As lead auditor of Skin Elements Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Skin Elements Limited and the entity it controlled during the period.

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', is written over a light blue horizontal line.

Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd
Perth, 29 September 2021

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2021

	Note	2021 \$	2020 \$
<i>Continuing operations</i>			
Revenue	1.1	288,741	425,167
Cost of sales		(98,302)	(216,270)
Gross profit		190,439	208,897
Other income	1.2	1,140,003	812,982
Administration expenses	2.1	(1,093,886)	(740,985)
Advertising and marketing expenses		(206,429)	(192,877)
Amortisation	6.2	(403,908)	(391,294)
Corporate expenses	2.2	(414,485)	(320,145)
Consultants' fees	2.3	(206,852)	(277,044)
Occupancy costs		(88,931)	(123,669)
Research and development expenses		(1,958,474)	(886,099)
Loss before tax		(3,042,523)	(1,910,234)
Income tax expense	4.1	-	-
Net loss for the year		(3,042,523)	(1,910,234)
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive loss attributable to members of the parent entity		(3,042,523)	(1,910,234)
<i>Loss per share:</i>			
Basic and diluted loss per share (cents per share)	18.4	(0.870)	(0.850)

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

Consolidated statement of financial position

as at 30 June 2021

	Note	2021 \$	2020 \$
<i>Current assets</i>			
Cash and cash equivalents	5.1	287,632	205,947
Trade and other receivables	5.2.1	1,122,891	764,153
Inventories	6.1	223,225	155,705
Other current assets	5.3.1	72,225	441,865
Financial Assets	5.6.1	502,000	-
Total current assets		2,207,973	1,567,670
<i>Non-current assets</i>			
Right of use asset - property, plant, and equipment		26,648	-
Financial Assets	5.6.1	502,000	-
Intangible assets	6.2	8,290,150	8,653,824
Total non-current assets		8,818,798	8,653,824
Total assets		11,026,771	10,221,494
<i>Current liabilities</i>			
Trade and other payables	5.4.1	647,998	509,141
Borrowings	5.5.1	30,990	500,000
Derivative liabilities	5.6.2	272,604	-
Total current liabilities		951,592	1,009,141
<i>Non-current liabilities</i>			
Trade and other payables	5.4.2	200,000	-
Derivative liabilities	5.6.2	272,604	-
Total non-current liabilities		472,604	-
Total liabilities		1,424,196	1,009,141
Net assets		9,602,575	9,212,353
<i>Equity</i>			
Issued capital	7.1.1	20,978,594	17,607,998
Reserves	7.5	91,252	29,103
Accumulated losses		(11,467,271)	(8,424,748)
Total equity		9,602,575	9,212,353

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



Consolidated statement of changes in equity

for the year ended 30 June 2021

	Note	Contributed equity \$	Accumulated losses \$	Convertible note reserve	Share-based payment reserve \$	Total equity \$
<i>Balance at 1 July 2019</i>		15,286,784	(6,896,381)	492,405	312,338	9,195,146
Loss for the year attributable to the owners of the parent		-	(1,910,234)	-	-	(1,910,234)
Adjustment to fair value of convertible note		-	42,206	(42,206)	-	-
Other comprehensive income for the year attributable to the owners of the parent		-	-	-	-	-
Total comprehensive income for the year attributable to the owners of the parent		-	(1,868,028)	(42,206)	-	(1,910,234)
<i>Transaction with owners, directly in equity</i>						
Shares issued during the year (net of costs)	7.1.1	1,475,664	-	-	-	1,475,664
Share based payments during the year	7.2	195,351	-	-	56,426	251,777
Converting note funds received and conversion	7.1.1	650,199	-	(450,199)	-	200,000
Transfer to / from reserves: performance shares expired		-	222,845	-	(222,845)	-
Transfer to / from reserves: options expired		-	116,816	-	(116,816)	-
Balance at 30 June 2020		17,607,998	(8,424,748)	-	29,103	9,212,353
<i>Balance at 1 July 2020</i>		17,607,998	(8,424,748)	-	29,103	9,212,353
Loss for the year attributable to the owners of the parent		-	(3,042,523)	-	-	(3,042,523)
Other comprehensive loss for the year attributable to the owners of the parent		-	-	-	-	-
Total comprehensive loss for the year attributable to the owners of the parent		-	(3,042,523)	-	-	(3,042,523)
<i>Transaction with owners, directly in equity</i>						
Shares issued during the year (net of costs)	7.1.1	3,370,596	-	-	-	3,370,596
Share based payments during the year	7.3	-	-	-	62,149	62,149
Balance at 30 June 2021		20,978,594	(11,467,271)	-	91,252	9,602,575

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

Consolidated statement of cash flows

for the year ended 30 June 2021






	Note	2021 \$	2020 \$
<i>Cash flows from operating activities</i>			
Receipts from customers		286,286	419,695
Payments to suppliers and employees		(3,659,726)	(3,085,726)
Receipt of research and development tax incentive		668,418	689,016
Interest paid and facility fees		(89,128)	(25,953)
JobKeeper payment scheme and ATO cash flow boost		92,500	105,000
Net cash used in operating activities	5.1.2	(2,701,650)	(1,897,968)
<i>Cash flows from investing activities</i>			
Purchase of intangibles	6.2.1	(36,410)	(30,000)
Net cash used in investing activities		(36,410)	(30,000)
<i>Cash flows from financing activities</i>			
Proceeds from issue of shares	7.1.1	2,719,745	1,805,532
Share issue costs		-	(87,855)
Proceeds of borrowings		600,000	1,000,000
Repayments of borrowings	5.5.1	(500,000)	(700,000)
Net cash provided by financing activities		2,819,745	2,017,677
Net increase in cash and cash equivalents held		81,685	89,709
Cash and cash equivalents at the beginning of the year		205,947	116,238
Cash and cash equivalents at the end of the year	5.1	287,632	205,947

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

Notes to the consolidated financial statements

for the year ended 30 June 2021

In preparing the 2021 financial statements, Skin Elements Limited has grouped notes into sections under five key categories:

-  Section A: How the numbers are calculated.....39
-  Section B: Risk.....60
-  Section C: Group structure65
-  Section D: Unrecognised items.....67
-  Section E: Other Information.....68

Significant accounting policies specific to each note are included within that note. Accounting policies that are determined to be non-significant are not included in the financial statements.

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

Company details

The registered office of the Company is:

Street + Postal: 1242 Hay Street

WEST PERTH WA 6005



Notes to the consolidated financial statements

for the year ended 30 June 2021

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, including:

- (a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.
- (b) analysis and sub-totals.
- (c) information about estimates and judgements made in relation to particular items.

Note	1	Revenue and other income	Note	2021 \$	2020 \$
1.1		Revenue			
		Sales to customers		288,741	425,167
				288,741	425,167
1.2		Other Income			
		Interest income		-	57
		Research and development tax incentives grant income		988,711	707,925
		JobKeeper Payment scheme grant income		67,500	30,000
		ATO Cash flow boost grant income		25,000	75,000
		Fair value adjustment of fee options	5.6.6	58,792	-
				1,140,003	812,982

1.3 Accounting policies**1.3.1 Revenue from contracts with customers****a. Recognition**

The Group generates revenue from the delivery of goods as follows:

- The Group sells products to external customers using several mediums which include internet sales, employees direct selling, and the use of wholesalers and businesses who purchase the product and are then responsible for their own on selling processes.
- The internet sales are driven by the Skin Element's website which sets out pricing for the product and delivery. Each wholesaler and business customer order is specific to the client's requirements; however, for each category of customer the performance obligations cease when the Group has delivered the goods to the customers. As at 30 June 2021 the Company did not have any material customer contracts at the reporting date.

b. Revenue from selling goods

Revenue for sale of sun care and skincare products, is recognised when the customers obtain control of the goods. This usually occurs when the goods are delivered. No other products or services are bundled in such contracts. Invoices are usually payable within 30 days and no element of financing is deemed present as the services are charged within standard credit terms which is consistent with industry practice.

1.3.2 Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. The Group received the following government grants:

- a. *Research and development tax incentives* received or receivable are recognised at fair value where there is a reasonable assurance that the amount will be received and the Group will comply with all attached conditions. The value of the research and development tax incentive received or receivable income is presented as part of profit or loss as other income.
- b. *JobKeeper Payment scheme* and *ATO Cash flow boost* received have no unfulfilled conditions or other contingencies attaching to these grants. Grants related to income are presented as part of profit or loss as other income.

The Group did not benefit directly from any other forms of government assistance.

1.3.3 Interest income

Interest revenue is recognised in accordance with Note 3.2 Finance expenses.

Notes to the consolidated financial statements

for the year ended 30 June 2021




Note	2	Loss before income tax	2021 \$	2020 \$
The following significant revenue and expense items are relevant in explaining the financial performance:				
2.1		Administration expenses		
		Accounting expenses	207,442	146,591
		Wages and salaries	522,851	367,324
		Travel expenses	130,457	11,566
		Interest expenses and finance facility costs	89,128	90,394
		Other expenses	144,008	125,110
			1,093,886	740,985
2.2		Corporate expenses		
		ASX fees	58,808	51,735
		Audit expenses	72,404	57,938
		Directors' fees	42,000	32,000
		Filing fees	18,266	16,138
		Legal expenses	200,389	103,891
		Share Registry and shareholder communications	22,618	58,443
			414,485	320,145
2.3		Contract and consulting fees		
		Executive services contracts	78,655	78,655
		Share-based performance rights	62,149	56,426
		External consulting fees	66,048	141,963
			206,852	277,044

2.3.1 The Company has issued performance rights to Directors and Consultants which will convert into fully paid shares on achieving certain performance hurdles. These performance rights are recorded at fair value which is amortised over the vesting period (up to four years from date of issue), as detailed in Note 19.2.1a and c.

Note	3	Other Significant Accounting Policies related to items of profit and loss
3.1		Employee benefits
3.1.1		Short-term benefits
		Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.
		Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.
3.1.2		Other long-term benefits
		The Group's obligation in respect of long-term employee benefits other than defined benefit plans, such as long service leave, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the Reserve Bank of Australia's cash rate at the report date that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise. However due to the infancy of the Group, no long service leave has been accrued.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note	3	Other Significant Accounting Policies related to items of profit and loss (cont.)
3.1.3	Equity-settled compensation	The grant by the Company of options over its equity instruments to contractors or to its employees is measured at the fair value of contractor's services (where the services can be valued) or at the fair value of the equity instruments provided (which includes employee services received) during the period. The measurement date is the grant date and the cost is recognised over the vesting period for the services received by the Company with an increase to the expense (or asset if it directly relates to the development of an asset) with a corresponding increase to equity or reserves. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.
3.2	Finance expenses	<p>Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method and include:</p> <ul style="list-style-type: none">  interest on the bank overdraft;  interest on short-term and long-term borrowings; and  interest on finance leases. <p>Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.</p>

Note	4	Income tax	2021	2020
			\$	\$
4.1	Income tax expense			
		Current tax	-	-
		Deferred tax	-	-
			-	-
		Deferred income tax expense included in income tax expense comprises:		
		■ Increase / (decrease) in deferred tax assets	-	-
		■ (Increase) / decrease in deferred tax liabilities	-	-
			-	-
4.2	Reconciliation of income tax expense to prima facie tax payable			
		The prima facie tax payable/(benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
		Accounting loss before tax	(3,042,523)	(1,910,234)
		Prima facie tax on operating loss at 26% (2020: 27.5%)	(796,532)	(525,314)
		Add / (Less) tax effect of:		
		□ Other non-deductible expenses / (non-assessable income)	420,796	388,327
		□ Other temporary differences not recognised	375,736	136,987
		Income tax expense/(benefit) attributable to operating loss	-	-
			0%	0%

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note	4	Income tax (cont.)	2021 %	2020 %
4.3		The applicable weighted average effective tax rates attributable to operating profit are as follows:	-	-
	a.	The tax rates used in the above reconciliations is the corporate tax rate of 26% payable by the Australian corporate entity on taxable profits under Australian tax law. Company tax rate reduced from 27.5% to 26%.		
4.4		Balance of franking account at year end of the parent	2021 \$	2020 \$
			nil	nil
4.5		Deferred tax assets		
		Tax losses	1,734,086	1,447,591
		Capital raising costs	-	107,571
			1,734,086	1,555,162
		Net deferred tax assets	1,734,086	1,555,162
		Less deferred tax assets not recognised	(1,734,086)	(1,555,162)
		Net deferred tax assets	-	-
4.6		Tax losses and deductible temporary differences		
		Unused tax losses and deductible temporary differences for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:		
	■	Tax losses	1,734,086	1,447,591
			1,734,086	1,447,591

Potential deferred tax assets attributable to tax losses have not been brought to account at 30 June 2021 because the Directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- i. the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- ii. the Company continues to comply with conditions for deductibility imposed by law; and
- iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss.

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates consider both the financial performance and position of the Company as they pertain to current income taxation legislation, and the Directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions.

The parent company has accumulated tax losses of \$6,669,563 (2020: \$5,263,967) which are expected to be available indefinitely for offset against future taxable profits of the parent company in which the losses arose. The recoupment of these losses is subject to assessment of the Australian Taxation Office.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 4 Income tax (cont.)

4.7 Accounting policy

The income tax expense or benefit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Where the Group receives the Australian Government's Research and Development Tax Incentive, the Group accounts for the refundable tax offset under AASB 112. Funds are received as a rebate through the parent company's income tax return.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 5 Financial assets and financial liabilities**5.1 Cash and cash equivalents**

	2021 \$	2020 \$
Cash at bank	287,632	205,947
	287,632	205,947

5.1.1 The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 8 Financial risk management.

5.1.2 Cash Flow Information

	2021 \$	2020 \$
a. <i>Reconciliation of cash flow from operations to loss after income tax</i>		
Loss after income tax	(3,042,523)	(1,910,234)
Cash flows excluded from loss attributable to operating activities		
<i>Non-cash flows in (loss)/profit from ordinary activities:</i>		
🌿 Depreciation and amortisation	403,908	391,294
🌿 Share-based payments expensed	62,149	181,777
🌿 Fair value movement in derivative liabilities	(58,792)	-
<i>Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:</i>		
🌿 Decrease/(increase) in receivables	79,156	(433,742)
🌿 (Increase)/decrease in inventories	(67,520)	(137,984)
🌿 Increase/(decrease) in payables	(78,028)	10,921
Cash flow (used in) from operations	(2,701,650)	(1,897,968)

b. *Reconciliation of liabilities arising from financing activities*

	2019 \$	Cash flows \$	Non-cash changes				2020 \$
			Acquisitions \$	Foreign Exchange \$	Other Changes \$	Changes due to AASB 16 \$	
Short-term borrowings	200,000	300,000	-	-	-	-	500,000
Total liabilities from financing activities	200,000	300,000	-	-	-	-	500,000

	2020 \$	Cash flows \$	Non-cash changes				2021 \$
			Acquisitions \$	Foreign Exchange \$	Other Changes ⁽ⁱ⁾ \$	Changes due to AASB 16 \$	
Short-term borrowings	500,000	(500,000)	-	-	-	-	-
Other payable	-	-	-	-	400,000	-	400,000
Derivative liabilities	-	-	-	-	545,208	-	545,208
Total liabilities from financing activities	500,000	(500,000)	-	-	945,208	-	945,208

(i) Other changes related to non-cash movements related to the recognition and reduction in derivative liabilities refer to Note 5.6.6.

c. *Credit and loan standby arrangement with banks*

The Group has no credit standby facilities.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 5 Financial assets and financial liabilities (cont.)**5.1 Cash and cash equivalents (cont.)***d. Non-cash investing and financing activities***2021**

As detailed in Note 5.6.3:

27,500,000 collateral shares and 26,000,000 fee options issued to LDA Capital for nil consideration.

2020

As detailed in Note 7.1.1 and 7.2:

15,501,326 shares and 12,376,326 options issued to settle \$650,199 in convertible notes (debt and equity)

250,000 ordinary shares issued in connection with the acquisition of *Invisi® Shield* Hand Sanitiser (\$20,000).

2,300,000 ordinary shares issued as facility fees amounting to \$50,000.

4,500,000 ordinary shares issued in connection with lead manager (\$25,000) and underwriting fees (\$25,000).

5.1.3 Accounting policy

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

5.2 Trade and other receivables**5.2.1 Current**

Trade receivables

Note	2021 \$	2020 \$
5.2.3	24,068	21,625
	45,133	73,733
5.2.4	988,711	668,418
	64,979	377
	1,122,891	764,153

Goods and Services Tax receivable

Research and Development Grant receivable

Other receivables

5.2.2 The Group's exposure to credit rate risk is disclosed in Note 8 Financial risk management.

5.2.3 Trade receivables are amounts due from customers for the sale of goods in the ordinary course of business. The trade receivables are generally due for settlement within periods ranging from prepaid or cash on delivery to 60 days and therefore are classified as current. The Group does not currently have any provision for expected credit loss in respect to their receivables as at 30 June 2021 (30 June 2020: Nil). Due to the short-term nature of the current receivables, their carrying amounts approximate their fair value. The trade receivable's balance does not currently have any amounts that are past due but not impaired.

5.2.4 The Group continued its development program during the year ended 30 June 2021 resulting in a claim for research and development tax incentive which has been included as a receivable at year end and received subsequent to year end.

5.2.5 Accounting policy

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from prepaid or cash on delivery to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. (see also Note 5.7.1).

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 5 Financial assets and financial liabilities (cont.)

5.3 Other assets	Note	2021 \$	2020 \$
5.3.1 Current			
Prepayments – Raw materials		16,642	192,902
Other deposits	5.3.1a	55,583	248,963
		72,225	441,865

a. Other deposits relate to inventory and will be recovered within 12 months.

5.4 Trade and other payables		2021 \$	2020 \$
5.4.1 Current			
<i>Unsecured</i>			
Trade payables		277,637	300,377
Sundry payables and accrued expenses		170,361	208,764
Commitment Fee payable	5.6.6	200,000	-
		647,998	509,141
5.4.2 Non-Current			
<i>Unsecured</i>			
Commitment Fee payable	5.6.6	200,000	-
		200,000	-

5.4.3 Trade payables are non-interest bearing and usually settled within the lower of terms of trade or 60 days.

5.4.4 The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 8.

5.4.5 Accounting policya. *Trade and other payables*

Trade other payables are recognised initially at fair value and subsequently at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Amounts are unsecured, non-interest bearing, and usually settled within the lower of terms of trade or 60 days.

5.5 Borrowings	Note	2021 \$	2020 \$
5.5.1 Current			
Pre-factoring financing facility	5.5.2	-	500,000
Leases – motor vehicle		30,990	-
		30,990	500,000

5.5.2 Terms and conditions: Pre-factoring financing facility

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

- **Total facility** \$10,000,000
- **Drawdown** \$500,000
- **Repayment Date** 9 November 2020
- **Interest rate** 15%
- **Security** The drawdown can also be secured against the inventory produced

The Company has not made any further drawdown and this facility is no longer available.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 5 Financial assets and financial liabilities (cont.)

5.5 Borrowings (cont.)

5.5.3 Accounting policy

a. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

b. Convertible notes

The component parts of convertible notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguishment upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in the profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 5 Financial assets and financial liabilities (cont.)





5.6 Derivative assets and liabilities	Note	2021 \$	2020 \$
5.6.1 Financial assets			
Prepaid commitment fee - current		502,000	-
Prepaid commitment fee – non-current		502,000	
		1,004,000	-
5.6.2 Derivative liabilities			
LDA Commitment fee liability – current		272,604	-
LDA Commitment fee liability – non-current		272,604	
		545,208	-

5.6.3 LDA Capital Agreement

On 6 April 2021, the Company announced it had entered into a Put Option Agreement (**POA**) with LDA Capital Limited and LDA Capital LLC (together **LDA Capital**), a United States based investment group, to provide the Company with up to A\$20 million in committed equity capital over the next 36 months. The Company would control the timing and maximum amount of the draw down under this facility. The Company has committed to an Initial Drawdown with the size to be determined by the Company.

The effect of the key terms as described below gave rise to a derivative liability and prepaid asset held at fair value through profit and loss.

Key terms and conditions:

- a. In accordance with the POA, as part consideration, the Company issued to LDA Capital 26,000,000 unlisted options all expiring on 15 March 2024 comprising:
 -  10,000,000 unlisted options exercisable at A\$0.12
 -  10,000,000 unlisted options exercisable at A\$0.15
 -  4,000,000 unlisted options exercisable at A\$0.18
 -  2,000,000 unlisted options exercisable at A\$0.22

These options were valued at \$604,000 using a Binomial options pricing model and classified as derivative liabilities. Refer Note 5.6.8 for the valuation inputs.

- b. On 18 May 2021, the Company issued to LDA Capital 27,500,000 shares (**Collateral Shares**) for nil consideration. LDA Capital will hold these shares until such time that the Company issues the initial call notice. At that time, and subject to certain limitations set out in the POA, LDA Capital may sell collateral shares on market. Under the POA, unused Collateral Shares may be used for a subsequent call, bought back by the Company for nominal consideration or transferred to a trustee or nominee of the Company for nominal consideration. LDA Capital holds 27,500,000 Collateral Shares at 30 June 2021 which are included in Treasury Shares (Note 7.1.3)
- c. Under the POA, the subscription price for the shares is set at 90% of the higher of the average VWAP of shares in the 30-trading day period after the issue of the capital call notice, and the minimum acceptable price notified to LDA Capital by the Company upon exercise of the put option. The VWAP calculation and the number of subscription shares is subject to adjustment as a result of certain events occurring including trading volumes falling below an agreed threshold level or a material adverse event occurring in relation to the Company.
- d. The Company is also required to pay a commitment fee of A\$400,000 to LDA Capital which is payable in cash in four equal instalments at closing of the Company's first four capital calls. When each of the first four capital calls are closed, the Company will pay each \$100,000 instalment, reduce the liability and the prepaid commitment fee, and recognise this amount to cost of capital.

5.6.4 Recognition and reduction in derivative liability and other payables

On entering the POA, the Company recognised a commitment fee payable of \$400,000, and fair value of 26,000,000 unlisted options, recognised as a derivative liability totalling \$604,000 determined using a Binomial options pricing model. Details of the assumptions used in the valuation of the options are summarised in Note 5.6.8.

The Company has not issued a Capital Call Notice under the POA to LDA Capital.

The derivative liability relating to the unlisted options issued to LDA Capital were revalued at the year-end for the unexercised options. The remeasurement of the derivative liability resulted in a fair value gain of \$58,792, refer to Note 1.2.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 5 Financial assets and financial liabilities (cont.)

5.6 Derivative assets and liabilities (cont.)

	2021 \$	2020 \$
5.6.5 Movement in prepaid assets		
As at 1 July	-	-
Prepayment Commitment Fee (cash)- at inception	400,000	-
Fair value recognition of Fee Options – on issue	604,000	-
As at 30 June	1,004,000	-
5.6.6 Movement in other payables		
As at 1 July	-	-
Commitment Fee payable	400,000	-
As at 30 June	400,000	-
5.6.7 Movement in derivative liabilities		
As at 1 July	-	-
Derivative liability recognised on fee options issue	604,000	-
Re-measurement to fair value through profit or loss	1.2 (58,792)	-
As at 30 June	545,208	-

5.6.8 Fair value of options granted during the year

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Grant date	1 March 2021	1 March 2021	1 March 2021	1 March 2021
Expiry date	15 March 2024	15 March 2024	15 March 2024	15 March 2024
Valuation date	30 June 2021	30 June 2021	30 June 2021	30 June 2021
Number of options	10,000,000	10,000,000	4,000,000	2,000,000
Grant date share price	\$0.10	\$0.10	\$0.10	\$0.10
Exercise price	\$0.12	\$0.15	\$0.18	\$0.22
Risk free interest rate	0.10%	0.10%	0.10%	0.10%
Volatility	50%	50%	50%	50%
Indicative Value per Option	\$0.0265	\$0.0198	\$0.0150	\$0.0107
Value per tranche	\$265,000	\$198,000	\$60,000	\$21,400

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 5 Financial assets and financial liabilities (cont.)**5.6 Derivative assets and liabilities (cont.)**5.6.9 *Fair value hierarchy*

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, as disclosed in note 22.4.2.

2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Derivatives liabilities				
LDA Commitment fee liability	-	-	545,208	545,208
Total derivative liabilities	-	-	545,208	545,208

There were no financial assets and financial liabilities at fair value for the year ended 30 June 2020.

5.6.10 *Key Judgements – Accounting Policy*

The POA is to facilitate the raising of equity, consequently the costs associated with the transaction have been offset against the cost of equity that is ultimately raised.

To the extent that transaction costs are paid in advance of the equity being raised, these amounts have been capitalised as a prepayment which is systematically released to equity as the equity is raised.

In the event that equity is not raised the prepayments will be charged to the income statement.

The POA contains a derivative liability from the inception, as LDA can elect to take a lower number of shares in lieu of paying the option price, therefore the Company does not know how many shares it will issue or the amount of cash (if any) it will receive. This is accounted for in accordance with AASB 132.11(b)(ii).

At each reporting period and when the option is exercised the derivative liability is remeasured, with any movement going to the income statement.

When a call is made and the Company issues LDA shares to sell a derivative asset exists up until the point the amount the Company is going to receive for selling those shares to LDA is determined (being 90% of the average VWAP of Shares during the Pricing Period). At the end of the pricing period the derivative asset is remeasured with the movement going to the income statement.

The fair value of financial assets and liabilities is measured using a Binomial option pricing model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of input such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of the financial instruments. Refer Note 5.6.8 for the detail inputs assumptions.

Notes to the consolidated financial statements

for the year ended 30 June 2021



Note 5 Financial assets and financial liabilities (cont.)

5.7 Other Significant Accounting Policies related to Financial Assets and Liabilities

5.7.1 Investments and other financial assets

a. Classification

The Group classifies its financial assets in the following measurement categories:

-  those to be measured subsequently at fair value (either through OCI or through profit or loss), and
-  those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

b. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.




c. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

i. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

-  **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
-  **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
-  **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 5 Financial assets and financial liabilities (cont.)**5.7 Other Significant Accounting Policies related to Financial Assets and Liabilities (cont.)**

ii. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

d. Impairment

From 1 January 2019, the Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Note 6 Non-financial assets and financial liabilities**6.1 Inventories**

Finished goods

	2021	2020
	\$	\$
	223,225	155,705
	223,225	155,705

6.1.1 Accounting policy

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated based on normal operating capacity. Costs are assigned to individual items of inventory based on weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale inventories are valued at the lower of cost and net realisable value.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 6 Non-financial assets and financial liabilities (cont.)

6.2 Intangible assets	2021 \$	2020 \$
<i>SE Formula™</i>	9,859,296	9,859,296
Accumulated amortisation	(1,601,478)	(1,212,476)
	8,257,818	8,646,820
Website development costs	55,410	19,000
Accumulated amortisation	(23,078)	(11,996)
	32,332	7,004
Total intangibles	8,290,150	8,653,824

6.2.1 Movements in Carrying Amounts

	Skin Elements formula and technology \$	Website development costs \$	Total \$
<i>Carrying amount at 1 July 2019</i>	8,984,310	10,807	8,995,117
Additions	50,000	-	50,000
Amortisation expense	(387,490)	(3,803)	(391,293)
<i>Carrying amount at 30 June 2020</i>	8,646,820	7,004	8,653,824
<i>Carrying amount at 1 July 2020</i>	8,646,820	7,004	8,653,824
Additions	-	36,410	36,410
Amortisation expense	(389,002)	(11,082)	(400,084)
<i>Carrying amount at 30 June 2021</i>	8,257,818	32,332	8,290,150





6.2.2 Accounting policies

a. Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

i. Formula and technology

Separately acquired formula and technology are shown at historical cost. *Skin Elements* formula and technology (hereafter **SE Formula™**), comprises the following, which utilise the same propriety formula in their ingredients:

-  Soléo Organics formula and technology
-  McArthur Skincare formula and technology
-  Elizabeth Jane Natural Cosmetics formula and technology
-  Invisi® Shield SuprCuvr Disinfectant

Formula and technology acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

ii. Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Costs that are directly attributable to the improvement of identifiable and unique software products controlled by the Group are recognised as intangible assets when the Company meets to capitalisation criteria to recognise the asset list in development costs above.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 6 Non-financial assets and financial liabilities (cont.)







6.2 Intangible assets (cont.)

b. *Capitalising development costs of formula and technology and software*

Development costs of *formula and technology* and *software* which meet the criteria below are capitalised to the asset to which they relate in the year the costs were incurred. Research expenditure and development expenditure that do not meet the criteria are recognised as an expense as incurred

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

-  the technical feasibility of completing the intangible asset so that it will be available for use or sale;
-  the intention to complete the intangible asset and use or sell it;
-  the ability to use or sell the intangible asset;
-  how the intangible asset will generate probable future economic benefits;
-  the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
-  the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.



Expenditures in relation to the development of identifiable and unique products, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and amortised over their estimated useful lives. Any expenditure related to research is expensed as incurred.

c. *Intangible assets acquired in a business combination*

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

d. *Subsequent measurement*

The Company commences amortisation where the development process is at a stage where the products can be produced in commercial quantities. The Company has assessed that the *SE Formula™* is at a stage where they meet this test. The Company has assessed the effective life for these assets to be 25 years and amortised the asset carrying values on a straight-line basis for the period. The Company has a policy to regularly review the effective life of each asset. The following useful lives are used in the calculation of amortisation:

	2021 Years	2020 Years
 <i>SE Formula™</i>	25	25
 Website development costs	5	5

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 6 Non-financial assets and financial liabilities (cont.)

6.2 Intangible assets (cont.)

6.2.3 Key estimates

a. Impairment

The Group assesses the impairment of assets at each reporting date by evaluating conditions specific to the asset that may lead to impairment of the assets recoverable amount. The assessment of impairment is based on the best estimate of future cash flows available at the time of preparing the report. However, facts and circumstances may come to light in later periods which may change this assessment if these facts had been known at the time.

To assist the Group with the impairment assessment of the intangible assets, Moore Australia Corporate Finance (WA) Pty Ltd were engaged to undertake an independent expert report of the indicative fair market value of the intangible assets of the Group. The preferred valuation of the assets did not result in a requirement to impair the carrying value of the intangible assets. The Independent Expert used a range of valuation methodologies to assess fair market value.

Directors are satisfied with the sensitivity and objectivity of the expert and the reasonableness of the key assumptions in the valuation.

b. Amortisation rates

The Group has assessed the effective life of its *SE Formula™* intangible asset (comprising *Soléo Organics* formula and technology; *McArthur Skincare* formula and technology; *Elizabeth Jane Natural Cosmetics* formula and technology; and *Invisi® Shield* Hand Sanitiser) taking into account sector practices, the expected product life cycle and its own internal knowledge of the underlying markets to determine an appropriate amortisation rate. This rate is an estimate of what the Group anticipates the intangible will be able to generate future benefits from the commercialisation formula and technology and this may differ from the future results. The Directors will continue to assess the effective life at each reporting date

6.3 Other Significant Accounting Policies related to Non-Financial Assets and Liabilities

6.3.1 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy at Note 4.7) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value-in-use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 6 Non-financial assets and financial liabilities (cont.)**6.3 Other Significant Accounting Policies related to Non-Financial Assets and Liabilities****6.3.2 Leases****a. Recognition and measurement**

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. The Company has identified one contract that would be classified as leases under the new standard being the lease of office premises. Due to the short term and low value nature of this lease, the Company will apply the exemption and elected to recognise the lease payments in profit and loss on a straight-line basis instead of applying the recognition and measurement requirements in AASB 16. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

i. Right of Use Asset

The Group recognises a right of use asset at the commencement date of the lease. The right of use asset is initially measured at cost. The cost of right of use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, plus initial direct costs incurred and an estimate of costs to dismantle, remove or restore the leased asset, less any lease incentives received.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Subsequent to initial measurement, the right of use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life.

Right of use assets are subject to impairment and are adjusted for any remeasurement of lease liabilities.

ii. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payment to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the assessment of lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payments occurs. The present value of lease payments is discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The amount of lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recognised in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 7 Equity

7.1 Issued capital	Note	2021	2020	2021	2020
		No.	No.	\$	\$
Fully paid ordinary shares at no par value		379,477,266	323,284,299	20,978,594	17,607,998
7.1.1 Ordinary shares					
At the beginning of the year		323,284,299	158,404,002	17,607,998	15,286,784
Shares issued during the year:					
31.07.19 Placement		-	4,059,838	-	113,675
29.11.19 Convertible note	7.4	-	3,001,326	-	450,199
31.12.19 Corporate advisory	19.2.1b	-	761,538	-	19,800
31.12.19 Project management services	19.2.1b	-	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	19.2.1b	-	2,500,000	-	25,000
20.03.20 Underwriting fee	19.2.1b	-	2,000,000	-	25,000
20.03.20 Facility fee	19.2.1b	-	2,000,000	-	25,000
14.05.20 Facility fee	19.2.1b	-	300,000	-	25,000
22.06.20 Acquisition of IP	19.2.1b	-	250,000	-	20,000
30.06.20 Options conversion	7.2	-	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	-
22.01.21 Shortfall		6,328,571	-	632,857	-
25.02.21 Placement		12,000,000	-	1,200,000	-
Transaction costs relating to share issues		-	-	-	(127,595)
At end of the year		379,477,266	323,284,299	20,978,594	17,607,998

7.1.2 Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

7.1.3 Treasury shares	Note	2021	2020
		No.	No.
Ordinary shares issued to LDA Capital as Collateral Shares for Nil consideration	5.6.3	27,500,000	-
		27,500,000	-

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 7 Equity (cont.)

7.1.4 Accounting policy

Issued and paid-up capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

7.2 Options	2021	2020	2021	2020
	No.	No.	\$	\$
Options	26,000,000	126,004,034	-	-
At the beginning of the year	126,004,034	81,965,315	-	116,816
Options movement during the year:				
📌 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 Conversion	-	(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)
📌 30.03.21 Fee options issued to LDA Capital	5.6.3 26,000,000	-	-	-
At end of the year	26,000,000	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	-	-
📌 Unlisted, ex. price \$0.12 exp. date 15.03.24	10,000,000	-	-	-
📌 Unlisted, ex. price \$0.15 exp. date 15.03.24	10,000,000	-	-	-
📌 Unlisted, ex. price \$0.18 exp. date 15.03.24	4,000,000	-	-	-
📌 Unlisted, ex. price \$0.22 exp. date 15.03.24	2,000,000	-	-	-
At end of the year	26,000,000	126,004,034	-	-

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 7 Equity (cont.)						
7.3	Performance rights	Note	2021	2020	2021	2020
			No.	No.	\$	\$
	Performance rights		47,000,000	47,000,000	91,252	29,103
	At the beginning of the year		47,000,000	2,200,000	29,103	195,522
	Performance rights movement during the year:					
	Issued	19.2.1a,c	-	47,000,000	-	29,103
	Fair value adjustments	19.2.1c	-	-	-	27,323
	Lapsed	19.2.1c	-	(2,200,000)	-	(222,845)
	Amortise of Performance shares issued in 30 June 2020 financial year		-	-	62,149	-
	At reporting date		47,000,000	47,000,000	91,252	29,103
7.4	Convertible notes (equity)		2021	2020	2021	2020
			No.	No.	\$	\$
	Convertible Note		-	-	-	-
	At the beginning of the year		-	378,842	-	492,405
	Convertible notes movement during the year:					
	Fair value adjustments		-	-	-	(42,206)
	Repayment		-	-	-	-
	Conversion to ordinary shares		-	(378,842)	-	(450,199)
	At reporting date		-	-	-	-
7.5	Reserves				2021	2020
					\$	\$
	Share-based payment reserve				91,252	29,103
					91,252	29,103

7.5.1 Share-based payment reserve

The share-based payment reserve records the value of options and performance rights issued the Company to its employees or consultants.

Notes to the consolidated financial statements

for the year ended 30 June 2021

SECTION B. RISK

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

Note 8 Financial risk management

This note presents information about the Group's exposure to each of the above risks, its objectives, policies, and procedures for measuring and managing risk, and the management of capital.

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts payable and receivable, borrowings (including convertible instruments), and leases.

The Group does not speculate in the trading of financial instruments or derivative instruments.

A summary of the Group's financial assets and liabilities, measured in accordance with AASB9 *Financial Instruments* as detailed in the accounting policies, is shown below:

	Floating Interest Rate \$	Fixed Interest Rate \$	Non- interest Bearing \$	2021 Total \$	Floating Interest Rate \$	Fixed Interest Rate \$	Non- interest Bearing \$	2020 Total \$
Financial Assets								
Cash and cash equivalents	287,632	-	-	287,632	205,947	-	-	205,947
Trade and other receivables	-	-	1,122,891	1,122,891	-	-	764,153	764,153
Financial assets – LDA prepayments	-	-	1,004,000	1,004,000	-	-	-	-
Total Financial Assets	287,632	-	2,126,891	2,414,523	205,947	-	764,153	970,100
Financial Liabilities								
Trade and other payables	-	-	847,998	847,998	-	-	509,141	509,141
Borrowings	-	-	30,990	30,990	-	500,000	-	500,000
Derivative liabilities	-	-	545,208	545,208	-	-	-	-
Total Financial Liabilities	-	-	1,424,196	1,424,196	-	500,000	509,141	1,009,141
Net Financial Assets / (Liabilities)	287,632	-	702,695	990,327	205,947	(500,000)	255,012	(39,041)

8.1 Financial Risk Management Policies

The Boards overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis. These include the credit risk policies and future cash flow requirements. Senior executives meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts. The overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance.

8.2 Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate and equity price risk.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 8 Financial risk management (cont.)

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring, and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations, and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

8.2.1 Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. The Group's exposure to credit risk is primarily in relation to its cash at bank, short-term deposits, and receivables. The Group does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's objective in managing credit risk is to minimise the credit losses incurred, mainly on trade and other receivables. Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal sales income are generally ranging from prepaid and payment on delivery to 60 days from the day of invoice. For sales with longer settlements, terms are specified in the individual client contracts.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Credit risk exposures

The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with reputable financial institutions residing in Australia, wherever possible. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Impairment losses

Impairment losses are recorded against receivables unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. The ageing of the Group's trade and other receivables at reporting date was as follows:

	Gross 2021 \$	Impaired 2021 \$	Net 2021 \$	Past due but not impaired 2021 \$
Trade receivables				
Not past due to 30 days	10,087	-	10,087	-
Past due 31 days to 90 days	13,981	-	13,981	13,981
	24,068	-	24,068	13,981
Other receivables				
Not past due	1,098,823	-	1,098,823	-
Total	1,122,891	-	1,122,891	13,981

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 8 Financial risk management (cont.)**8.2.2 Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management requirements. The Group manages liquidity risk by:

- preparing forward looking cash flow analysis in relation to its operating, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Typically, the Group ensures that it has sufficient cash to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The financial liabilities of the Group include trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 60 days of the reporting date.

Contractual Maturities

The following are the contractual maturities of financial assets and liabilities of the Group:

	Within 1 Year		Greater Than 1 Year		Total	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Trade and other payables	647,998	509,141	200,000	-	847,998	509,141
Borrowings	30,990	500,000	-	-	30,990	500,000
Derivative liabilities	272,604	-	272,604	-	545,208	-
Total contractual outflows	951,592	1,009,141	472,604	-	1,424,196	1,009,141
Financial assets						
Cash and cash equivalents	287,632	205,947	-	-	287,632	205,947
Trade and other receivables	1,122,891	764,153	-	-	1,122,891	764,153
Financial assets – LDA prepayments	502,000	-	502,000	-	1,004,000	-
Total anticipated inflows	1,912,523	970,100	502,000	-	2,414,523	970,100
Net inflow / (outflow) on financial instruments	960,931	(39,041)	29,396	-	990,327	(39,041)

Cash flows realised from financial instruments reflect management's expectation as to the timing of realisation timing may therefore differ from that disclosed. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 8 Financial risk management (cont.)

8.2.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities minimally expose it to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates. The Group does not enter into derivative financial instruments including foreign exchange forward contracts to hedge against financial risk. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

a. Interest rate risk

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Group's exposures to interest rate in financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

b. Foreign exchange risk

The Group is not exposed to any material foreign exchange risk.

c. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group does not presently hold material amounts subject to price risk. As such the Board considers price risk as a low risk to the Group.

8.2.4 Sensitivity Analyses





The Group is not subject to material market risk sensitivities.

8.2.5 Net Fair Values

a. Fair value estimation

The fair values of financial assets and financial liabilities are presented in the table in Note 8 and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as the carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

Financial instruments whose carrying value is equivalent to fair value due to their nature include:

-  Cash and cash equivalents;
-  Trade and other receivables;
-  Trade and other payables; and
-  Derivative liabilities (recognised at fair value).

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 9 Capital Management**9.1.1 Capital**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Groups objectives when managing capital are to:

- a. Safeguard their ability to continuing as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- b. Maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt (loans and convertible instruments), cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings. Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

9.1.2 Working Capital

The working capital position of the Group was as follows:

	Note	2021 \$	2020 \$
Cash and cash equivalents	5.1	287,632	205,947
Trade and other receivables	5.2	1,122,891	764,153
Inventories	6.1	223,225	155,705
Other current assets (excluding prepayments)	5.3	55,583	248,963
Trade and other payables	5.4	(847,998)	(509,141)
Borrowings	5.5	(30,990)	(500,000)
Working capital position		810,343	365,627

Notes to the consolidated financial statements

for the year ended 30 June 2021

SECTION C. GROUP STRUCTURE

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:


- (a) *changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation*
- (b) *transactions with non-controlling interests, and*
- (c) *interests in joint operations.*

A list of significant subsidiaries is provided in Note 10. This note also discloses details about the Group's equity accounted investments.

Note 10 Interest in subsidiaries

10.1 Information about subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group and the proportion of ownership interest held equals the voting rights held by the Group. Investments in subsidiaries are accounted for at cost. Each subsidiary's country of incorporation is also its principal place of business:

	Place of incorporation and operation	Percentage Owned	
		2021	2020
 SE Operations Pty Ltd	Western Australia	100%	100%

Note 11 Other Significant Accounting Policies related to Group Structure





11.1 Basis of consolidation

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

11.1.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group is exposed to variable returns from another entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

-  the fair value of the consideration transferred; plus
 -  the recognised amount of any non-controlling interests in the acquiree; plus
 -  if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;
- less
-  the net recognised amount of the identifiable assets acquired and liabilities assumed.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 11 Other Significant Accounting Policies related to Group Structure

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

11.1.2 *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary, to align them with the policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non-controlling interests. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of controlled entities is contained in Note 10 Interest in subsidiaries of the financial statements.

11.1.3 *Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interests are measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

11.1.4 *Transactions eliminated on consolidation*

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 30 June 2021

SECTION D. 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 12 Commitments

12.1 Capital commitments

The Group does not have any capital commitments. (2020: \$157,072)

Note 13 Events subsequent to reporting date

13.1.1 Director appointment and resignation.

On 31 August 2021, the Company appointed Mr Lee Christensen as a Non-executive director to the Board and Mr John Poulsen resigned as Non-executive director.

13.1.2 Equity Issues

On 31 August 2021, the Company has announced that it has raised \$2.1 million (before costs) in cash working capital to fund its stated business plans including the launch of its new TGA registered Invisi Shield CuprCuvr hospital grade disinfectant. The Company proposes to issue 26,250,000 ordinary fully paid shares for \$2,100,000 in cash (before costs) in a private placement to sophisticated investors.

13.1.3 Research and Development Tax Incentives

Subsequent to 30 June 2021, the Company received \$988,711 from Research and Development Tax Incentives.

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 14 Contingent liabilities

There are no other contingent liabilities as at 30 June 2021 (30 June 2020: Nil).



Notes to the consolidated financial statements

for the year ended 30 June 2021




SECTION E. 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 15 Key Management Personnel compensation (KMP)

The names and positions of KMP are as follows:

Directors

 Peter Malone	Executive Chairman
 Phil Giglia	Independent Non-Executive Director
 John Poulsen	Independent Non-Executive Director (<i>Appointed on 29 October 2020, resigned on 31 August 2021</i>)

Former Directors

 Craig Piercy	Executive Director (<i>Appointed on 29 November 2019, resigned 29 October 2020</i>)
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Other key management

 Leo Fung	Chief Technical Advisor
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Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 is provided in the Remuneration report table on page 29.

	2021 \$	2020 \$
Short-term employee benefits	594,000	584,000
Post-employment benefits	-	-
Share-based payments	28,515	44,036
Other long-term benefits	-	-
Termination benefits	-	-
Total	622,515	628,036

Note 16 Related party transactions

The Group may enter into agreements for services rendered with individuals (or an entity that is associated with the individuals) during the ordinary course of business.

A number of entities associated with the Directors and select technical staff have consulting agreements in place which have resulted in transactions between the Group and those entities during the year.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Entity	Nature of transactions	KMP	Total Transactions		Payable Balance	
			2021 \$	2020 \$	2021 \$	2020 \$
Indian Ocean Advisory Group	Transaction corporate advisory services	Luke Martino	-	19,682	-	12,643

During the year, an amount of \$100,000 recorded at half year ended 31 December 2020 as a short-term payable to non-related third parties was assigned to Boston Technologies Management Pty Ltd, of which Mr Craig Piercy is sole director. This amount was included in the normal commercial fees and expenses working capital account provided by Boston Technology Management Pty Ltd and was repaid in the ordinary course. No interest is paid to Boston Technology Management Pty Ltd on outstanding amounts.

During the year, an amount of \$100,000 was provided by Boston Technology Management Pty Ltd and Blackridge Group Pty Ltd to a third-party supplier as part of the Invisi Shield development project. This amount was included in the normal commercial fees and expenses working capital account provided by Boston Technology Management Pty Ltd and Blackridge Group Pty Ltd and was repaid in the ordinary course. No interest is paid to Boston Technology Management Pty Ltd and Blackridge Group Pty Ltd on outstanding amounts.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note	17 Auditor's remuneration	2021 \$	2020 \$
	Remuneration of the auditor, BDO Audit (WA) Pty Ltd, for:		
	Assurance services:		
	■ Auditing or reviewing the financial reports	72,404	57,052
	Non-Assurance Services:		
	■ Other – non-audit – Research and Development Tax Incentives	18,777	-
		91,181	57,052

Note	18 Earnings per share (EPS)	Note	2021 \$	2020 \$
18.1	Reconciliation of loss to profit or loss			
	Loss for the year		(3,042,523)	(1,910,234)
	Loss used in the calculation of basic and diluted EPS		(3,042,523)	(1,910,234)
			2021 No.	2020 No.
18.2	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		351,137,666	223,746,949
	Weighted average number of dilutive equity instruments outstanding	18.5	N/A	N/A
18.3	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		351,137,666	223,746,949
18.4	Earnings per share		2021 ¢	2020 ¢
	Basic EPS (cents per share)	18.5	(0.87)	(0.85)
	Diluted EPS (cents per share)	18.5	N/A	N/A

18.5 As at 30 June 2021 the Group has 26,000,000 unissued shares under options (2020: 126,004,034) and 47,000,000 performance shares on issue (2020: 47,000,000). The Group does not report diluted earnings per share on losses generated by the Group. During the year, the Group's unissued shares under option and performance shares were anti-dilutive.

18.6 Accounting policy

Basic EPS is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to the Group, adjusted for costs of servicing equity (other than dividends) and preference share dividends; the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note	19	Share-based payments	Note	2021 \$	2020 \$
19.1	Share-based payments:				
		Recognised in profit and loss (expenses)	19.2.1a b.i,c	62,149	181,777
		Recognised in equity (transaction costs)	19.2.1b.ii	-	50,000
		Recognised in net assets (intangible assets)	19.2.1b.iii	-	20,000
		Gross share-based payments		62,149	251,777

19.2 Share-based payment arrangements in effect during the year**19.2.1 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 sun care 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 5.6.8:

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

b. *Equity-settled Payments*

During the prior year settled the following transactions were settled by way of equity, in lieu of cash:

i. Recognised in profit and loss (2020):

- 761,538 shares with total fair value of \$19,800, were issued to third party consultants for consulting services.
- 2,734,892 shares with total fair value of \$55,551, were issued to third party consultants for consulting services.
- 2,300,000 shares with total fair value of \$50,000 were issued to third party consultants as facility fees.

ii. Recognised in equity (2020):

- 2,500,000 shares with total fair value of \$25,000 were issued to third party consultants for lead manager services performed.
- 2,000,000 shares with total fair value of \$25,000 were issued to third party consultants as an underwriting fee.

iii. Recognised in net assets - intangible assets (2020):

- 250,000 shares with total fair value of \$20,000 were issued as consideration for an intangible asset and recognised in net assets.

Notes to the consolidated financial statements

for the year ended 30 June 2021

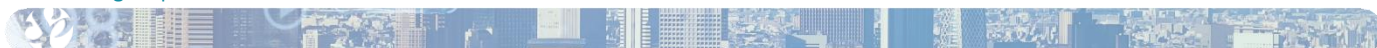
Note 19 Share-based payments (cont.)c. *Director and Consultants Performance Rights (2017)*

The Company has previously issued performance rights to Directors which convert into ordinary fully paid shares on achieving certain share market price hurdles. The fair value of the rights has been valued at \$0.032 to \$0.050 per right. The rights are subject to performance conditions and are amortised over the vesting period which is up to 20 months from the date of issue. On 30 June 2019, 2,200,000 of these performance rights expired without achieving the performance hurdle. On 30 June 2020, the remaining 2,200,000 of these performance rights expired without achieving the performance hurdles. The relevant expenses were recognised up to expiry date in accordance with accounting standard AASB 2 *Share-based payments*

Class of Performance Right	Performance Condition	Performance rights No.		Milestone Date	Expiry Date	Performance Condition Satisfied
		Peter Malone	Luke Martino			
A	The Company attaining a 5-day VWAP of more than \$0.34 per share	2,200,000	2,000,000	30 Jun 2019	Expired	No
B	The Company attaining a 5-day VWAP of more than \$0.51 per share	2,200,000	4,000,000	30 Jun 2020	Expired	No

19.3 Fair value of options granted during the year

The fair value of the options granted is deemed to represent the value of the services received over the vesting period. A 40% probability is applied to non-market 2019 Performance Rights.



Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 19 Share-based payments (cont.)**19.4 Accounting policy**

The Group may provide benefits to employees (including directors) and consultants of the Group in the form of share-based payment transactions, whereby services are rendered in exchange for shares or rights over shares (**equity-settled transactions**).

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- 🌱 during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period;
- 🌱 from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied

during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification

19.5 Key estimate

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instrument at the date at which they are granted. The fair value of options granted is measured using the Black-Scholes option pricing model. The model uses assumptions and estimates as inputs.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 20 Operating segments

20.1 Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily based on business category and geographical areas. Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

20.2 Basis of accounting for purposes of reporting by operating segments

20.2.1 Accounting policies adopted

AASB 8 *Operating Segments* requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. This is consistent to the approach used for the comparative period. Operating segments are reported in a uniform manner to which is internally provided to the Board.

An operating segment is a component of the Group that engages in business activity from which it may earn revenues or incur expenditure, including those that relate to transactions with other group components. Each operating segment's results are reviewed regularly by the Board to make decisions about resources to be allocated to the segments and assess its performance, and for which discrete financial information is available.

The Board monitors the operations of the Company based on two segments, operational and corporate. The financial results of each segment are reported to the Board to assess the performance of the Group. The Board has determined that strategic decision making is facilitated by evaluation of the operations of the legal parent and subsidiary which represent the operational performance of the Group's revenues and the research and development activities as well as the finance, treasury, compliance, and funding elements of the Group.

Unless stated otherwise, all amounts reported to the Board, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

20.2.2 Inter-segment transactions

All such transactions are eliminated on consolidation of the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

20.2.3 Segment assets

Where an asset is used across multiple segments, the asset is allocated proportionately to the applicable segments based on its use. Typically segment assets are clearly identifiable based on their nature and physical location.

Unless indicated otherwise in the segment financial position note, deferred tax assets and intangible assets have not been allocated to operating segments.


20.2.4 Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board in assessing performance and determining the allocation of resources.

20.2.5 Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

 Income tax expense

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 20 Operating segments (cont.)**20.3 Types of products and services by segment****20.3.1 Operations**

This operating segment is involved in the designing and formulating natural, organic, health and wellness products.

20.4 Segment Financial Performance

	Operations \$	Corporate and administration \$	Total \$
Year ended 30 June 2021			
Revenue and other income			
■ External sales	288,741	-	288,741
■ Other income	1,140,003	-	1,140,003
Total segment revenue and other income	1,428,744	-	1,428,744
Total group revenue and other income			1,428,744
Segment profit/(loss) before income tax			
■ Cost of sales	(98,302)	-	(98,302)
■ Administration expenses	(982,291)	(111,595)	(1,093,886)
■ Advertising and marketing expenses	(76,675)	(129,754)	(206,429)
■ Amortisation	(403,908)	-	(403,908)
■ Corporate expenses	(32,473)	(382,012)	(414,485)
■ Consultants' fees	(78,655)	(66,048)	(144,703)
■ Share-based payments	-	(62,149)	(62,149)
■ Occupancy costs	(68,216)	(20,715)	(88,931)
■ Research and development expenses	(1,958,474)	-	(1,958,474)
Segment profit/(loss) from continuing operations before tax	(2,270,250)	(772,273)	(3,042,523)
Group loss before income tax			(3,042,523)
Year ended 30 June 2020			
Revenue and other income			
■ External sales	425,167	-	425,167
■ Other income	812,982	-	812,982
Total segment revenue and other income	1,238,149	-	1,238,149
Total group revenue and other income			1,238,149
Segment profit/(loss) before income tax			
■ Cost of sales	(216,270)	-	(216,270)
■ Administration expenses	(678,533)	(62,452)	(740,985)
■ Advertising and marketing expenses	(149,795)	(43,082)	(192,877)
■ Amortisation	(391,294)	-	(391,294)
■ Corporate expenses	(5,949)	(314,196)	(320,145)
■ Consultants' fees	9,982	(230,600)	(220,618)
■ Share-based payments	-	(56,426)	(56,426)
■ Occupancy costs	(84,504)	(39,165)	(123,669)
■ Research and development expenses	(886,099)	-	(886,099)
Segment profit/(loss) from continuing operations before tax	(1,164,313)	(745,921)	(1,910,234)
Group loss before income tax			(1,910,234)

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 20 Operating segments (cont.)

20.5 Segment Financial Position

	Operations \$	Corporate and administration \$	Total \$
At as 30 June 2021			
Segment Assets	9,657,909	8,429,463	18,087,372
<i>Reconciliation of segment assets to group assets:</i>			
■ Intra-segment eliminations		(7,060,601)	(7,060,601)
Total assets			11,026,771
Segment Liabilities	7,066,888	1,417,909	8,484,797
<i>Reconciliation of segment liabilities to group liabilities</i>			
■ Intra-segment eliminations	(7,060,601)		(7,060,601)
Total liabilities			1,424,196
As at 30 June 2020			
Segment Assets	9,999,376	5,327,787	15,327,163
<i>Reconciliation of segment assets to group assets:</i>			
■ Intra-segment eliminations	-	(5,105,669)	(5,105,669)
Total assets			10,221,494
Segment Liabilities	5,299,048	815,762	6,114,810
<i>Reconciliation of segment liabilities to group liabilities</i>			
■ Intra-segment eliminations	(5,105,669)	-	(5,105,669)
Total liabilities			1,009,141

20.6 Geographical Segments

The Group is domiciled in Australia and all revenue from external parties is generated in Australia.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 21 Parent entity disclosures

Skin Elements Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Skin Elements Limited did not enter into any trading transactions with any related party during the year.

21.1 Financial Position of Skin Elements Limited

	2021 \$	2020 \$
Current assets	866,862	221,781
Non-current assets	502,000	-
Total assets	1,368,862	221,781
Current liabilities	945,305	814,698
Non-current liabilities	472,604	-
Total liabilities	1,417,909	814,698
Net liabilities	(49,047)	(592,917)
<i>Equity</i>		
Issued capital	20,978,594	17,607,998
Reserve	91,252	29,103
Accumulated losses	(21,118,893)	(18,230,018)
Total equity	(49,047)	(592,917)

21.2 Financial performance of Skin Elements Limited

	2021 \$	2020 \$
Loss for the year	(2,888,875)	(722,066)
Other comprehensive loss	-	-
Total comprehensive loss	(2,888,875)	(722,066)

21.3 Guarantees

There are no guarantees entered into by Skin Elements Limited for the debts of its subsidiary as at 30 June 2021 (2020: none).

21.4 Contractual commitments

The parent company has no capital commitments as at 30 June 2021 (2020: \$157,072), as disclosed in Note 12.1.

21.5 Contingent liabilities

There are no contingent liabilities as 30 June 2021 (2020: none).

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 22 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 years presented, unless otherwise stated.

22.1 Basis of preparation

22.1.1 Reporting Entity

Skin Elements Limited (**Skin Elements or the Company**) is a listed public company limited by shares, domiciled, and incorporated in Australia. These are the consolidated financial statements and notes of Skin Elements and controlled entities (collectively **the Group**). The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. The Group is a for-profit entity and is primarily involved in businesses which deliver accredited and non-accredited vocational education and training solutions throughout Australia and internationally.

The separate financial statements of Skin Elements, as the parent entity, have not been presented with this financial report as permitted by the *Corporations Act 2001* (Cth).

22.1.2 Basis of accounting

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (**AAS Board**) and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**), and the *Corporations Act 2001* (Cth).

Australian Accounting Standards (**AASBs**) set out accounting policies that the AAS Board has concluded would result in a financial report containing relevant and reliable information about transactions, events, and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

The financial statements were authorised for issue on 29 September 2021 by the Directors of the Company.

22.1.3 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 year of \$3,042,523 (2020: \$1,910,234 loss) and a net cash out-flow from operating activities of \$2,701,650 (2020: \$1,897,968 out-flow). As at 30 June 2021, the Group working capital of \$810,343 (2020: \$365,627 working capital), as disclosed in Note 9 of the Capital Management note.

Since 30 June 2021, the Group has:

- Received \$988,711 from Research and Development Tax Incentives.
- Received \$2,100,000 (before costs) from placement to sophisticated investors.
- Confirmed that it is proceeding with the \$20 million LDA Capital equity placement facility.

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, and the LDA Capital facilities the Directors are confident of the Group's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

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.

22.1.4 Comparative figures

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

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 22 Statement of significant accounting policies**22.1.5 New and Amended Standards Adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

-  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.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

22.2 Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

22.3 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.

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 22.3.1.

22.3.1 Critical Accounting Estimates and Judgments

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- a. Key estimate – Taxation
Refer Note 4 Income Tax.
- b. Key estimate – Impairment of intangibles
Refer Note 6.2 Intangible assets.
- c. Key estimate – Amortisation rates of intangibles
Refer Note 6.2 Intangible assets.
- d. Key estimate – Share-based payments
Refer Note 19 Share-based payments.
- e. Treatment of LDA options and commitment fee
Refer Note 5.6 Derivative assets and liabilities.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 22 Statement of significant accounting policies

22.3.2 Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the 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 COVID-19 pandemic.

22.4 Fair Value

22.4.1 Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable AASB.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly unforced transaction between independent, knowledgeable, and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also considers a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

22.4.2 Fair value hierarchy

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- 🔄 if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- 🔄 if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.


22.4.3 Valuation techniques


The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:


Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 22 Statement of significant accounting policies

 Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

 Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

 Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

22.5 New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 34 to 80, are in accordance with the *Corporations Act 2001* (Cth) and:
 - (a) comply with Accounting Standards;
 - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 22.1 to the financial statements; and
 - (c) give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the Group.
 - (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);
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 and is signed for and on behalf of the Directors by:



PETER MALONE

Managing Director

Dated this Wednesday, 29 September 2021





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INDEPENDENT AUDITOR'S REPORT

To the members of Skin Elements Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Skin Elements Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

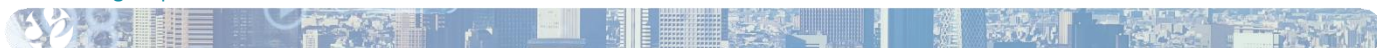


Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of intangible assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Note 6.2 to the Financial Report discloses the intangible assets and the assumptions used by the Group in testing these assets for impairment.</p> <p>As required by Australian Accounting Standards, the Group performs annual impairment testing for each Cash Generating Unit ("CGU") to which intangible assets have been allocated to determine whether the recoverable amount is below the carrying amount.</p> <p>The Group engaged an Independent Expert to assess the fair value of the intangible assets to assist in the determination of an impairment assessment of the intangible assets in accordance with <i>AASB 136 Impairment of Assets</i>.</p> <p>The determination of the fair value of the assets requires significant judgement.</p> <p>We considered this issue to be a key audit matter, due to the significance of the balance to the reported financial position of the Group, and the judgements relied upon to determine the fair value.</p>	<p>Our audit procedures included, but were not limited, to the following:</p> <ul style="list-style-type: none"> • Considering the appropriateness of the valuation methodology against the relevant Australian Accounting Standard; • Evaluating the independence, competence and objectivity of the valuation expert; • Assessing the reasonableness of the valuation methodology used by the Independent Expert using our valuation specialists where necessary; and • Assessing the adequacy of the related disclosures in Note 6.2 to the Financial Report.





Accounting for financial instruments

Key audit matter	How the matter was addressed in our audit
<p>Note 5.6 to the Financial Report discloses the Group's Put Option Agreement ("POA") executed with LDA Capital Limited and LDA Capital LLC ("LDA") to provide funding up to AUD\$20 million during the year.</p> <p>As required by Australian Accounting Standards, the accounting treatment, classification and valuation of the financial instruments associated with the POA is complex and required significance judgements and estimates in identifying and valuing the derivative liability at inception and at reporting date.</p> <p>The Group engaged independent experts to assess the accounting treatment, classification and valuation of the financial instruments.</p> <p>We considered this issue to be a key audit matter, due to the significance of the derivative liability to the reported financial position of the Group, and the judgements and estimates relied upon to determine the fair value.</p>	<p>Our audit procedures included, but were not limited, to the following:</p> <ul style="list-style-type: none"> • Reviewing the relevant agreement to obtain an understanding of the contractual nature and terms and conditions of the POA arrangement; • Evaluating the Group's accounting treatment of the financial instruments in accordance with the relevant Australian Accounting Standards; • Evaluating the independence, competence and objectivity of the independent experts; • Considering the appropriateness of the valuation methodology applied to the derivative liability against the relevant Australian Accounting Standards; • Assessing the reasonableness of the valuation methodology and key assumptions used by the independent expert to determine the fair value of the derivative liability using our valuation specialists where necessary; and • Assessing the adequacy of the related disclosures in Note 5.6 to the Financial Report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*



and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 32 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Skin Elements Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

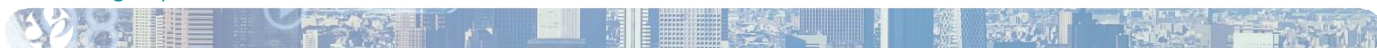
BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', written over a faint, light blue BDO logo.

Glyn O'Brien

Director

Perth, 29 September 2021



Corporate governance statement

The Board is responsible for establishing the Company's corporate governance framework. In establishing its corporate governance framework, the Board has referred to the 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Corporate Governance Statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The Company's governance-related documents can be found on its website at www.skinelementslimited.com/investors.html#cg.



Additional Information for Listed Public Companies

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

1 Capital as at 29 September 2021.

a. Ordinary share capital

433,227,266 ordinary fully paid shares held by 1,274 shareholders.

b. Unlisted Options over Unissued Shares

Number of Options	Exercise Price \$	Expiry Date
10,000,000	0.12	15 March 2024
10,000,000	0.15	15 March 2024
4,000,000	0.18	15 March 2024
2,000,000	0.22	15 March 2024
26,000,000		

c. Performance Rights over Unissued Shares

Class of Performance Right	Performance Condition	Performance rights No.	Milestone Date	Expiry Date
A	The Company receiving revenue from the sale of its products to an aggregate value of \$2,000,000	4,700,000	31 Dec 2023	4 years from the date of issue
B	The Company receiving revenue from the sale of its products to an aggregate value of \$6,000,000	9,400,000	31 Dec 2023	4 years from the date of issue
C	The Company receiving revenue from the sale of its products to an aggregate value of \$12,000,000	14,100,000	31 Dec 2023	4 years from the date of issue
D	The Company receiving revenue from the sale of its products to an aggregate value of \$20,000,000	18,800,000	31 Dec 2023	4 years from the date of issue
		47,000,000		

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

- **Ordinary shares:** Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- **Unlisted Options:** Options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.
- **Performance Rights:** A Performance Right does not entitle a Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company. A Performance Right does not entitle a Holder to any dividends. A Performance Right does not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up of the Company. A Performance Right is not transferable.

e. Substantial Shareholders as at 29 September 2021.

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
LDA Capital Limited	27,500,000	6.35
Sovereign Empire Pty Ltd	26,452,596	6.11

Additional Information for Listed Public Companies

f. Distribution of Shareholders as at 29 September 2021

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
100,001 – and over	360	408,199,454	94.22
10,001 – 100,000	550	22,445,666	5.18
5,001 – 10,000	277	2,317,810	0.54
1,001 – 5,000	61	259,317	0.06
1 – 1,000	26	5,019	0.00
	1,274	433,227,266	100.00

g. Distribution of Holders of Unlisted Options as at 29 September 2021

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
100,001 – and over	1	26,000,000	100.00
10,001 – 100,000	-	-	0.00
5,001 – 10,000	-	-	0.00
1,001 – 5,000	-	-	0.00
1 – 1,000	-	-	0.00
	1	26,000,000	100.00

h. Unmarketable Parcels as at 29 September 2021

As at 29 September 2021 there were 59 shareholders who held less than a marketable parcel of shares holding 124,336 shares.

i. On-Market Buy-Back

There is no current on-market buy-back.

j. Restricted Securities

The Company has no restricted securities

Additional Information for Listed Public Companies

k. 20 Largest Shareholders — Ordinary Shares as 29 September 2021

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	LDA CAPITAL LIMITED	27,500,000	6.35
2.	SOVEREIGN EMPIRE PTY LTD	26,452,596	6.11
3.	MANDALUP INVESTMENTS PTY LTD	16,750,000	3.87
4.	STATE SECURITIES PTY LTD	16,500,000	3.81
5.	LAKEHOUSE ENTERPRISES PTY LTD	14,977,644	3.46
6.	MGOLD PTY LTD	14,665,290	3.39
7.	SOVEREIGN EQUITIES PTY LTD	11,933,628	2.75
8.	CITICORP NOMINEES PTY LIMITED	10,438,501	2.41
9.	KASSETT PTY LTD	8,450,000	1.95
10.	EQUITIES SERVICES PTY LTD	8,082,011	1.87
11.	EMIRATE INVESTMENTS PTY LTD	7,865,047	1.82
12.	BAYROAD NOMINEES PTY LTD	7,632,653	1.76
13.	MR RUSSELL WAYNE ALLEN	6,912,154	1.60
14.	NABAWA PTY LTD	6,875,000	1.59
15.	SAMBOR TRADING PTY LTD	6,370,000	1.47
16.	BLACKRIDGE GROUP PTY LTD	5,611,183	1.30
17.	NEVILLE SUPERANNUATION FUND PTY LTD	5,000,000	1.15
18.	RAXIGI PTY LIMITED	4,920,746	1.14
19.	TOP OCEANIA INTERNATIONAL LIMITED	4,715,000	1.09
20.	BRAUNII PTY LTD	4,068,234	0.94
TOTAL		215,719,687	49.83

l. Unquoted Securities Holders Holding More than 20% of the Class as at 29 September 2021

■ Unlisted Options (Exercise price \$0.12, Expiry Date:15.03.2024)

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
LDA Capital Limited	10,000,000	100.00
TOTAL	10,000,000	100.00
TOTAL UNLISTED OPTIONS	10,000,000	

■ Unlisted Options (Exercise price \$0.15, Expiry Date:15.03.2024)

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
LDA Capital Limited	10,000,000	100.00
TOTAL	10,000,000	100.00
TOTAL UNLISTED OPTIONS	10,000,000	

Additional Information for Listed Public Companies

■ Unlisted Options (Exercise price \$0.18, Expiry Date:15.03.2024)

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
LDA Capital Limited	4,000,000	100.00
TOTAL	4,000,000	100.00
TOTAL UNLISTED OPTIONS	4,000,000	

■ Unlisted Options (Exercise price \$0.22, Expiry Date:15.03.2024)

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
LDA Capital Limited	2,000,000	100.00
TOTAL	2,000,000	100.00
TOTAL UNLISTED OPTIONS	2,000,000	

2 The Company Secretary is Phil Giglia.

3 **Principal registered office and contact details**

As disclosed in the Corporate directory on page i and in Company details on page 38 of this Annual Report.

4 **Registers of securities**

As disclosed in the Corporate directory on page i of this Annual Report.

5 **Stock exchange listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, as disclosed in the Corporate directory on page i of this Annual Report.

6 **Use of funds**

The Company has used its funds in accordance with its initial business objectives.



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