



31 January 2022

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

Australian natural skin care company Skin Elements Limited (ASX: SKN) (Skin Elements, the Company) is pleased to present its Quarterly Activity Report for the period ending 31 December 2021.

### **Quarterly Highlights**

- SKN delivers the world's highest rated against COVID 19 (7 log reduction) hospital grade natural disinfectant with production of SuprCuvr commenced.
- SKN executed an exclusive Australian and New Zealand SuprCuvr Distribution Agreement targeting sales volumes of 1.2 million litres for the Company's TGA-registered SuprCuvr natural disinfectant product.
- Dedicated SuprCuvr online shopping platform launched - at [www.suprcuvr.com](http://www.suprcuvr.com)
- SKN will receive \$493k R&D Rebate for the R&D expenditure invested in the six months to 31 December 2021.
- SKN has cash on hand of \$1.565 million at 31 December 2021 with net operating cash outflows of \$1,120k for the quarter invested into the launch of SuperCuvr.

### **SKN delivers SuprCuvr Hospital Grade Disinfectant with Production Commenced**

The Company formally launched its SuprCuvr hospital grade disinfectant following registration by the Therapeutic Goods Administration (TGA) achieving 99.99999% (7 log reduction) effectiveness against COVID 19 in independent laboratory testing.

SKN's research indicates that this is the first and only approved disinfectant globally with such a high rating efficacy against COVID 19.

With registration now in place, the Company has procured manufacturing and ingredients supply chain facilities with the ability to produce 100,000 litres per day of SuprCuvr hospital grade disinfectant in intermediate bulk containers (IBCs) on an ongoing and increasing basis.

The Company is also assessing additional batching facilities to ensure availability of SuprCuvr products through Pacific Health Care ([www.pacifichealthcare.com.au](http://www.pacifichealthcare.com.au)) and for sale through the Company's online store ([www.sknlife.com.au](http://www.sknlife.com.au).)

Natural Science by Skin Elements

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

[www.sknlife.com.au](http://www.sknlife.com.au)  
[www.skinelementslimited.com](http://www.skinelementslimited.com)  
[info@skinelementslimited.com](mailto:info@skinelementslimited.com)

### **Exclusive Australia and New Zealand SuprCuvr Distribution Agreement**

Skin Elements executed a binding Agreement with Pacific Health Care Pty Ltd (**Pacific Health**) for the exclusive distribution of Skin Elements' TGA registered SuprCuvr hospital grade disinfectant in Australia and New Zealand (**Agreement**).

The Agreement represents the next step in the commercialisation strategy for SuprCuvr. It will allow Skin Elements to leverage off Pacific Health's existing health distribution networks and immediately drive sales into the Australian and New Zealand markets, and underpin the Company's operations to further execute its global commercialisation strategy.

The Agreement is for an initial term of 12 months, which will be extended for up to an additional 48 months in total, subject to achievement of minimum sales volumes each year.

The Agreement targets sales volumes of 1.2 million litres of SuprCuvr in year one, and total anticipated sales volumes of 5.5692 million litres over the duration of the Agreement, subject to the achievement of annual sales targets.

Pacific Health Care was established in 1987, and has a successful track record of selling and distributing a range of consumable medical products into the Australian medical industry.

Its customers include, state governments (NSW Health, WA Health, Queensland Health and Tasmania Health), hospitals (St John of God Hospitals and Perth Children's Hospital), clinics, aged care facilities, general practitioners and dentists, surgical and medical sub-distributors, veterinary clinics, and at home patients.

Further details of the Agreement were provided in ASX announcement of 17 January 2022.

### **Research & Development Rebate**

With the Company focus on development of its natural antimicrobial technologies, SKN will receive a 2022 R&D Rebate of \$493k for the R&D expenditure invested in the six months to 31 December 2021.

### **LDA Capital \$20 million equity funding facility**

SKN has entered into an equity funding facility agreement (**Agreement**) with LDA Capital, under which LDA Capital has agreed to provide Skin Elements with up to \$20 million in committed equity capital over the next 36 months (ASX announcement, 6 April 2021).

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

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

Skin Elements expects to make the first initial drawdown of this facility in March 2022 quarter.



### **Entitlement Issue to raise over \$2 million**

The Company has advised that it will be undertaking a non-renounceable pro rata entitlement issue at an issue price of \$0.08 per share on the basis of one (1) new share for every fifteen (15) ordinary shares held. Shareholders who subscribe for the entitlement issue will also receive one attaching listed option for every two new shares issued, exercisable at \$0.10 and expiring on 15 March 2024.

Under the entitlement issue up to 25,298,484 shares and 12,649,242 attached options will be issued to raise up to \$2,023,879 (before costs). An updated timetable has been announced with the issue of a prospectus and entitlement application forms in February with completion in March 2022.

### **Summary of Operating Cashflows**

The Company's research and development focus is reflected in the operating cashflows for the quarter, which included customer receipts of \$48k, and \$669k invested in product manufacturing, staff and research and development. Marketing (\$130k), corporate (\$239k) and administration (\$130k) made up the balance as detailed in the Appendix 4C, resulting in net cash outflows from operating activities of \$1,120k for the quarter (\$701k for the six months) and cash on hand of \$1.565 million.

Included in the operational cash outflows for the quarter is \$90k paid to entities associated with the Directors for executive services and directors' services in accordance with services agreements, details of which have been disclosed in the Company's 2021 Annual Report.

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

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

*"With SuprCuvr now registered with the TGA and commercially launched with the appointment of Pacific Health Care to distribute in Australia and New Zealand, and capital raising programs now secured, Skin Elements is ready to execute its corporate and operations plans to deliver the Company's expanded product range, including the new SuprCuvr natural disinfectant, for Australia and also into global markets."*

This announcement has been approved by the Audit and Risk Committee of the Board of Directors of Skin Elements Limited.

END



## For further information please contact

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

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

## About Skin Elements

Skin Elements (ASX: SKN) is an award winning Australian owned and operated ASX-listed health care company focused on the development of natural and organic health care products. Skin Elements innovative approach to plant-based and organic personal care and skincare products has enabled the creation of a portfolio of products that have been sold and distributed across the world. Its flagship products include the SuprCuvr TGA-registered, hospital-grade plant-based disinfectant, Invisi Shield alcohol free natural sanitiser, Soléo Organics natural and organic sunscreen, PapayaActivs natural therapeutics skincare and Elizabeth Jane Natural Cosmetics brand.

Further information is available via the Company website: <http://skinelementslimited.com> and on the Company online store: [www.sknlife.com.au](http://www.sknlife.com.au)



# Appendix 4C

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

**SKIN ELEMENTS LIMITED (ASX:SKN)**

ABN

**90 608 047 794**

Quarter ended (Current quarter)

**31 December 2021**

### Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (6 Months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	48	121
1.2 Payments for:		
(a) research and development	(517)	(693)
(b) product manufacturing and operating costs	(23)	(32)
(c) advertising and marketing	(130)	(187)
(d) leased assets	-	-
(e) staff costs	(129)	(286)
(f) administration costs	(130)	(200)
(g) corporate costs	(239)	(402)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(11)
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	-	989
1.8 Other: (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,120)</b>	<b>(701)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-

2.6 Net cash from / (used in) investing activities	-	-
--	---	---

Consolidated statement of cash flows	Current Quarter \$A'000	Year to date (6 Months) \$A'000
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,100
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(121)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	-	1,979
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	2,685	287
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,120)	(701)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	1,979
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	1,565	1,565

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,565	2,685
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details):	-	-
<b>5.5 Cash and cash equivalents at end of quarter</b> (should equal item 4.6 above)	1,565	2,685

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	90
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 and 6.2 your quarterly activity report must include a description of, and an explanation for, such payments

--

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify): LDA Capital Equity Funding Facility	20,000	-
<b>7.4 Total financing facilities</b>	<b>20,000</b>	<b>-</b>

7.5 **Unused financing facilities available at quarter end** 20,000

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

<b>LDA Capital Equity Funding Facility Terms and conditions:</b> Key terms and conditions: <ul style="list-style-type: none"> <li>■ <b>Terms</b> 36 months</li> <li>■ <b>Total facility</b> Put options to require LDA to subscribe for up to \$20 million of shares at the Company's election.</li> <li>■ <b>Drawdown</b> Nil</li> <li>■ <b>Issue Price</b> The issue price of the shares pursuant to a put option will be 90% of the higher of: <ul style="list-style-type: none"> <li>- The average VWAP of shares in the 30-trading day period after the issue of a call option by the Company (subject to any applicable adjustments); and</li> <li>- the minimum price notified to LDA Capital by the Company upon the issue of the call option.</li> </ul> </li> <li>■ <b>Limit</b> During the term of the Agreement, LDA Capital may not hold more than 19.9% of the issued share capital of the Company.</li> <li>■ <b>Security</b> SKN will issue LDA Capital collateral shares (SKN ordinary fully paid for nil consideration) on a one for one basis to the number of shares issued under the capital call notice less any collateral shares already held by LDA Capital.</li> <li>■ <b>Capacity</b> Any placement to LDA Capital is expected to be made under the Company's Listing Rule 7.1 capacity.</li> </ul>	
---	--

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 <b>Net cash from / (used in) operating activities</b> (Item 1.9)	(1,120)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,565
8.3 Unused finance facilities available at quarter end (Item 7.5)	20,000
8.4 Total available funding (Item 8.2 + Item 8.3)	21,565
8.5 <b>Estimated quarters of funding available</b> (Item 8.4 divided by Item 8.1)	19.3

*Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.*

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

N/A

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

Answer:

N/A

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

Answer:

N/A

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

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: Monday, 31 January 2022

Authorised by: By the Audit and Risk Committee of Skin Elements Limited  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.