



29 April 2022

## **Quarterly Activity Report - Period ending 31 March 2022**

Australian natural skin care company Skin Elements Limited (ASX: SKN) (Skin Elements, the Company) is pleased to present its Quarterly Activity Report for the period ending 31 March 2022.

### **Quarterly Highlights**

- Exclusive Distribution Agreement for SuprCuvr in Australia and New Zealand executed with Pacific Health Care Pty Ltd
- Pacific Health Distribution Agreement delivering strong results;
  - First order, of \$1.1 million, of SuprCuvr delivered under the Pacific Health Agreement
  - SuprCuvr now stocked in 168 IGA and 15 Good Grocer IGA supermarkets in Western Australia
- Pacific Health Agreement has the potential to deliver total sales volumes of 5.5692 million litres of SuprCuvr over the duration of the Agreement if sales targets are met
- Production of SuprCuvr hospital-grade natural disinfectant is underway with the ability to produce 100,000 litres of SuprCuvr per day with potential to further increase production to meet future demand growth
- \$371k R&D Rebate advance received for the R&D expenditure invested in the six months to December 2021
- Sound cash at quarter-end of \$1.029 million - cash position doesn't include the \$1.1m SuprCuvr order with Pacific Health which will be accounted in the next quarter

### **SKN Delivers First Order of \$1.1 million SuprCuvr Hospital Grade Disinfectant**

Following the registration of its SuprCuvr hospital grade disinfectant by the Therapeutic Goods Administration (TGA), SKN formally launched SuprCuvr by executing a binding agreement (Agreement) with Pacific Health Care Pty Ltd (Pacific Health) for the exclusive distribution of SuprCuvr in Australia and New Zealand (see ASX announcement 17 January 2022).

Outstanding results have been achieved in the first nine weeks of the of the Agreement with Skin Elements delivering 120,200 litres of SuprCuvr in 86,040 units of various sizes and invoicing \$1,140,504 in sales for the quarter, with normal 30-day EOM payment terms.

Natural Science by Skin Elements

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SKN's research indicates that SuprCuvr is the first and only approved disinfectant globally achieving 99.99999% (7 log reduction) effectiveness against COVID 19 in independent laboratory testing.

With TGA 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 in intermediate bulk containers (IBCs) on an ongoing basis, with the ability to increase production to meet future demand growth.

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).)

### **Research & Development Rebate**

With the Company focus on development of its natural antimicrobial technologies, SKN has received a R&D Rebate advance of \$371k for the R&D expenditure invested in the six months to December 2021.

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

SKN 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 the Company has access to additional equity capital as required to support its growth into new markets, support existing sales channels and fund anticipated commercial-scale sales and distribution opportunities for SuprCuvr, along with the Company's other product lines.

Skin Elements expects to make the first initial drawdown of this facility in the coming 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 May with completion in June 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 \$29k, and \$776k invested in product manufacturing, staff and research and development. Customer receipts for the quarter, do not include the \$1.1 million SuprCuvr order from the Distribution Agreement with Pacific Health. This will be accounted in the subsequent quarter.

Marketing costs of \$99k, and corporate and administration costs of \$61k made up the balance of outflows as detailed in the Appendix 4C, resulting in net cash outflows from operating activities of \$536k for the quarter (\$1,237k for nine months) and cash on hand of \$1.029 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.

Over the past two years, COVID-19 has impacted SKN with 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. With many restrictions now starting to be lifted, SuprCuvr natural disinfectant and Invisi Shield® natural sanitiser products can now play a part of the strategy of adapting to live with COVID-19.

#### **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 executing 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 Board of Directors of Skin Elements Limited.

END

**For further information please contact**

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### **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 March 2022**

### Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (9 Months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	29	150
1.2 Payments for:		
(a) research and development	(131)	(824)
(b) product manufacturing and operating costs	(359)	(391)
(c) advertising and marketing	(99)	(286)
(d) leased assets	-	-
(e) staff costs	(286)	(572)
(f) administration costs	-	(200)
(g) corporate costs	(61)	(463)
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	371	1,360
1.8 Other: (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(536)</b>	<b>(1,237)</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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

### Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (9 Months) \$A'000
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	1,565	287
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(536)	(1,237)
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>	1,029	1,029

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	1,029	1,565
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)	1,029	1,565

### 6. Payments to related parties of the entity and their associates

	<b>Current quarter \$A'000</b>
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

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<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>	
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<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)	(536)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,029
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)	21,029
8.5 <b>Estimated quarters of funding available</b> (Item 8.4 divided by Item 8.1)	39.2

*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: Friday, 29 April 2022

Authorised by: By the Board  
(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.