



29 July 2022

Quarterly Activity Report - Period ending 30 June 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 30 June 2022.

Quarterly Highlights

- **Pacific Health Distribution Agreement for SuprCuvr in Australia and New Zealand.**
 - Submission completed to have SuprCuvr included on formal tender lists for WA and Queensland governments – outcome pending.
 - Presentations made to hospitals, and trials undertaken with mining companies, education campuses, and transport and logistics centres in WA.
 - SuprCuvr now stocked in 168 IGA and 15 Good Grocer IGA supermarkets in WA.
- **Distribution opportunities for SuprCuvr and other products pursued in international markets including, the United Kingdom, New Zealand, Indonesia and Taiwan.**
- **Opportunities assessed to expand SuprCuvr into different applications targeting its efficacy against mould and fungi, and to also offer new SuprCuvr products at different price points.**
- **Soleo Organics sunscreen.**
 - Soleo Organics sunscreen range now fully available with updated and optimised online store to drive sales.
 - Two Soleo Organics sunscreens selected as finalists in the Clean Beauty Awards for 2022.
- **\$363k R&D Rebate advance received for the R&D expenditure invested in the period to May 2022.**

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

"The business delivered another active quarter, with business development activities being the key area of focus. The Company's distribution agreement with Pacific Health is bedding-in well, as is evidenced by sales generated to date, and we are encouraged that the work undertaken by Pacific health in the quarter will generate significant sales opportunities in the months ahead.

We are also excited by the potential brand extension opportunities for SuprCuvr, beyond its core use as a hospital-grade disinfectant. Independent laboratory tests were completed, which demonstrated SuprCuvr's anti-fungal capacity and its efficacy against certain mould and fungi. Further, the opportunity to potentially develop SuprCuvr products at different price points, has the potential to expand its market and drive new sales. We look forward to progressing these opportunities, to maximise the commercial potential of our unique natural, plant-based product range."

Natural Science by Skin Elements

SuprCuvr Hospital-Grade Disinfectant

SuprCuvr is a TGA registered hospital-grade disinfectant made from a 100% plant-based formula. Independent laboratory tests have confirmed that SuprCuvr has 99.99999% (7 log reduction) effectiveness against COVID 19. Skin Elements' research indicates that SuprCuvr is the first and only approved disinfectant globally with a 99.99999% efficacy against COVID 19. The combination of exceptionally high efficacy in a 100% plant-based formula presents a significant market opportunity for SuprCuvr in large-scale settings where disinfectants are deployed.

Pacific Health Distribution Agreement

Skin Elements entered into a binding Agreement with Pacific Health Care Pty Ltd (Pacific Health) for the exclusive distribution of SuprCuvr in Australia and New Zealand in the previous quarter (ASX announcement, 17 January 2022).

Pacific Health continued to make strong progress during the quarter in establishing a broad-based distributor network for SuprCuvr, with a focus on the government, corporate and retail sectors.

In the retail space, SuprCuvr is currently stocked in 168 IGA and 15 Good Grocer IGA supermarkets in Western Australia, and is also available through Pacific Health's online store; www.pacifichealthcare.com.au.

The Company advises that Pacific Health has completed the process to have SuprCuvr included on the formal tender lists for government departments in Western Australia and Queensland. This is a significant step in the pathway to secure contracts for the provision of SuprCuvr with these governments.

The process for procuring disinfectant products with both the WA and Queensland governments requires that products be formally included on a tender list before they can be adopted by the respective governments.

The outcome of tender list process is expected in the coming weeks, and, subject to SuprCuvr being included, Pacific Health plans to commence discussions on SuprCuvr contracts within these governments.

The process for the adoption of disinfectant products in New South Wales and Victoria differs in that it does not require products to be on a formal tender list, and Pacific Health is pursuing sales and distribution opportunities within these governments.

The government sector is a key focus in the roll-out of SuprCuvr, as it provides the opportunity to deploy the product in large settings across a wide range of government departments and bodies.

Pacific Health also made presentations to key private hospitals in WA and other states in the quarter, and implemented trials with mining companies, education campuses, and transport and logistics centres in WA.

Other Distribution Opportunities

During the quarter, Skin Elements also progressed a number of other distribution opportunities for SuprCuvr, and other products from its range, in a number of international markets.

This included a distribution opportunity for SuprCuvr in New Zealand, and for SuprCuvr and other Skin Elements' products in Indonesia and Taiwan.

The Company also commenced discussions in respect of a potential distribution agreement for the Soléo Organics sunscreen range in the United Kingdom.

These discussions are of a positive nature and are all ongoing, but there is no certainty that any sales or distribution agreements will be entered into. Skin Elements will update the market on any material progress on these, or any other, sales or distribution discussions.

Expanding the SuprCuvr Product Range

Skin Elements is actively seeking to expand the SuprCuvr product range by offering new products at different price points. The Company is investigating the development of a lower-price point SuprCuvr product for sale in the super market sector, and is currently in discussions with a major global retailer on the development of such a product. It will update the market on any material progress on this front.

Other Product Extensions

The Company also advises that during the quarter it investigated a number of potential opportunities to extend the application of SuprCuvr beyond its use as a hospital-grade disinfectant. The disinfectant market is the core focus for Skin Elements with SuprCuvr, but its unique combination of high-efficacy and plant-based natural formula also provides options to extend the product into other uses.

During the quarter, independent laboratory tests were conducted on the anti-fungal capacity of SuprCuvr. Specifically, it was tested for efficacy against black mould (*Aspergillus niger*) and *Candida albicans*, a highly prevalent source of fungal infections in humans.

The independent tests successfully confirmed SuprCuvr's efficacy in providing protection against these moulds and fungi. This positive outcome has the potential to open up new product applications for SuprCuvr, and the Company plans to progress these opportunities to expand the SuprCuvr product range.

In a household setting, mould and fungus are major problems in spaces that have dampness or a lack of ventilation, and can be a health hazard. Typically, products used to prevent or minimise such impacts are chemically-based, and the opportunity to use SuprCuvr's 100% plant-based formula in these environments has the potential to provide an effective alternative solution.

Marketing

Skin Elements continued to support sales and marketing efforts in the quarter, through the development of video advertisements and marketing materials, and updating SuperCuvr packaging to reduce costs and simplify production.

Soleo Organics Sunscreen

Soléo Organics is a natural and organic sunscreen. It provides very high protection (SPF30), broad spectrum sun protection from both UV-A and UV-B solar radiation while providing natural moisturising skin care from its botanical-extract ingredients.

The Soleo Organics sunscreen range is now fully available, and the Company has updated and optimised its www.soleoorganics.com and www.sknlife.com online store websites to drive sales through these channels, with a view to attracting more international sales and driving larger volume sales.

The Company also prepared presentations and sales materials for national and international retail outlet channels.

During the quarter, the Soleo Organics' High Performance Coconut Sunscreen and Face Moisturising Sunscreen were both selected as finalists in the Clean Beauty Awards for 2022.

Corporate

Research & Development Rebate

The Company's commitment to the development of new applications for its natural anti-microbial technologies saw it receive a further R&D Rebate advance of \$363k for the R&D expenditure invested in the period to May 2022.

LDA Capital \$20 million equity funding facility

SKN has 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 a period of 36 months (ASX announcement, 6 April 2021).

The Agreement provides the Company with access to additional equity capital to support its growth objectives for the business, as required.

Entitlement Issue

The Company has previously advised of its intention to undertake 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 with attaching listed option for every two new shares issued, exercisable at \$0.10 and expiring on 15 March 2024. The timetable for the entitlement issue has been updated on multiple occasions.

Due to prevailing market conditions in equity capital markets, the Company is currently considering its options in respect of the entitlement issue, and will advise further in due course.

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 \$208k, and \$574k invested in product manufacturing, staff and research and development.

Marketing costs of \$127k, and corporate and administration costs of \$140k made up the balance of outflows as detailed in the Appendix 4C, resulting in net cash outflows from operating activities of \$261k for the quarter (\$1,498k for twelve months) and cash on hand of \$748k.

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.

The Company notes that COVID-19 continued to impact the business in the quarter, with 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, a strong opportunity exists to grow sales of SuprCuvr and the Invisi Shield® natural sanitiser product as part of a strategy of adapting to live with COVID-19.

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

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For further information please contact

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About Skin Elements

Skin Elements (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



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)

30 June 2022

Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (12 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	208	358
1.2 Payments for:		
(a) research and development	(359)	(1,183)
(b) product manufacturing and operating costs	(54)	(445)
(c) advertising and marketing	(127)	(413)
(d) leased assets	-	-
(e) staff costs	(161)	(733)
(f) administration costs	(101)	(301)
(g) corporate costs	(29)	(492)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(13)
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	364	1,724
1.8 Other: (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(261)	(1,498)
2. Cash flows from investing activities		
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 (12 Months) \$A'000
3. Cash flows from financing activities		
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	(20)	(141)
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)	-	-
3.10 Net cash from / (used in) financing activities	(20)	1,959
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,029	287
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(261)	(1,498)
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)	(20)	1,959
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	748	748

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	748	1,029
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details):	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	748	1,029

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

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7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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	-
7.4 Total financing facilities	20,000	-

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.

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(261)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	748
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)	20,748
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	79.5

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 July 2022

Authorised by: The Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

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