



31 October 2022

Quarterly Activity Report - Period ending 30 September 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 September 2022.

Quarterly Highlights

- **The SE Formula™ key product ranges in production to deliver into expanding sales opportunities with updated formula potencies, packaging presentation and competitive pricing.**
- **Skin Elements continues to develop sales and marketing distribution channels in Australia and internationally for its products.**
- **Active trials and assessment of opportunities underway to develop the organic plant based SE Formula™ into further commercial applications.**
- **\$984k R&D Rebate received for the R&D expenditure invested in the year.**
- **Additional \$1.5 million working capital secured**

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

“Recent years have emphasised the importance of a healthy lifestyle and healthy planet and there is increasing evidence, knowledge and awareness of the effects of harmful, aggressive toxic ingredients on our bodies, food chain, lands and waterways. Skin Elements is at the forefront of this innovation revolution with its SE Formula.

With the Company’s SE Formula product ranges in production, Skin Elements continues to work closely with key distributors to position into and develop expanding sales opportunities for the SE Formula.

We are excited by the transition from a primarily R&D focus to one of expanded commercialisation and sales growth potential.”

Natural Science by Skin Elements

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

www.sknlife.com.au
www.skinelementslimited.com
info@skinelementslimited.com

The SE Formula Natural Revolution

The SE Formula™ is a high performance proprietary all-natural plant based antimicrobial technology used in the Company's proprietary award winning brands including Invisi-Shield SuprCuvr plant-based hospital grade disinfectant range, the Soléo Organics natural sunscreen brand, the PapayaActivs therapeutic skincare range and the Elizabeth Jane Natural Cosmetics.

SuprCuvr Distribution Agreement with Pacific Health

Pacific Health Care Pty Ltd (Pacific Health) has made strong progress in establishing a broad-based distributor network in Australia and New Zealand for SuprCuvr, with a focus on the government and corporate sectors.

Pacific Health has submitted SuprCuvr on the formal tender lists for broad scale adoption by government departments in Western Australia and Queensland and is pursuing sales and distribution opportunities with the New South Wales and Victoria governments. The outcome of tender list process is expected in the coming months, and once secured, Pacific Health will be able to deliver SuprCuvr contracts with these government departments.

Pacific Health also made presentations to key private hospitals in WA, including St John of God, and other states, and has undertaken trials with major sporting venues, mining companies, education campuses, and transport and logistics centres in WA.

SKN and Pacific Health has continued to work together to evaluate the initial market responses and update the formula potency, packaging presentation and competitive pricing structure.

Other Commercialisation Opportunities

Skin Elements continues to focus on the development of additional distribution channels and opportunities for its product ranges in Australia and internationally.

Western Australian based Thomson Coachlines has recently adopted SuprCuvr for use in its bus fleet saving significant time and money. Thomson now disinfects a coach daily in less than ten minutes with no damage to the bus interior whilst achieve high levels of protection against COVID-19, bacteria and germs.

With over 97,000 buses and coaches operated in Australia by 2,000 registered bus operators transporting over 1.5 million passengers each year, the results achieved by Thompson demonstrate a significant market opportunity for SuprCuvr in this application.

Hong Kong cleaning company Healthy Giant Limited has recently started both using and retailing SuprCuvr hospital grade disinfectant including treatment services for the Hong Kong government and several global companies based in Hong Kong.

Healthy Giant Limited sell their cleaning products and disinfectants direct to 5,000 customers and service over 300 schools, 100 elderly centers, and 5 top-tier property companies in addition to Government departments in Hong Kong and Macau.

Expanding the SE Formula™ Product Range

Skin Elements continued to actively pursue opportunities to expand the SuprCuvr product range beyond its use as a hospital-grade disinfectant by developing new products at different price points.

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, and 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*, which are highly prevalent sources of fungal infections in humans.

Trials in Australia and New Zealand for the Company's new Eco Nature organic plant bio stimulant are currently underway with positive outcomes having the potential to open up new product applications in agriculture and horticulture. Plant bio stimulants improve the plants natural ability to tolerate stress and improve nutrient availability, promote plant growth and seed germination resulting in a healthier plant.

The Soléo Organics sunscreen range including face moisturising is now fully available, with a new baby range in production.

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 and skin types, in fresh water and salt water, and is non comedogenic.

Production is underway to deliver the full range of PapayaActivs therapeutic skincare products that combine the power of Papaya with proven traditional natural ingredients that help relieve the symptoms of skin conditions, like psoriasis, rashes, eczema, assist in healing of minor burns and wounds, and relieve mild muscle, joint and arthritic pain.

The Company's product range is available through the Company's updated and optimised online store websites www.soleoorganics.com and www.sknlife.com.

Corporate

Research & Development Rebate

The Company's commitment to the development of new applications for its natural anti-microbial technologies saw it receive R&D Rebate of \$984k for the R&D expenditure invested in the year to June 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. The Company has not made any drawdown under this facility during the quarter.

Placement

On 26 October 2022 the Company advised it has raised \$700,000 in cash (before costs) in a private placement to sophisticated investors. The Company is issuing 28,000,000 ordinary fully paid shares at \$0.025 each (under the Company's ASX LR7.1A placement capacity) with one attaching option exercisable at \$0.05 on or before 31 October 2025 for each new share (under the Company's ASX LR7.1 capacity) to the subscribers to the placement.

Entitlement Issue

The Company has advised that it has updated the terms of the non-renounceable pro-rata entitlement issue. The entitlement issue will proceed on the basis of one (1) new share for every fifteen (15) ordinary shares held on the record date at an issue price of \$0.025 for each new share with one attaching option (exercisable at \$0.05 on or before 31 October 2025) for each new share issued.

Under the entitlement issue up to 31,075,660 shares and 31,075,660 attaching options will be issued raising up to \$776,891 (before costs).

The proposed entitlement issue is not underwritten.

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 \$42k, R&D Tax Rebate of \$984k, and \$648k invested in product manufacturing, staff and research and development.

Marketing costs of \$49k, and corporate and administration costs of \$155k made up the balance of outflows as detailed in the Appendix 4C, resulting in net cash inflows from operating activities of \$173k for the quarter and cash on hand of \$923k.

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.

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

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For further information please contact

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

Media and Investor Inquiries
James Moses
Mandate Corporate
T: +61 420 991 574
E: 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, the recently developed Eco Nuture plant bio stimulant for agriculture and horticulture industries, 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



ECO Nuture
Plant Bio Stimulant

To achieve plant wellness - "Nuture With Nature"

Stimulates Plants natural tolerance to stress

crucially free and vegan Australian Made Biodegradable SE Formula

Safe for plants, people & planet.

IMPORTANT: Always mix well before and during diluting and when being used.
Store below 30°C. Avoid contact with eyes. If in eyes, rinse well with water. 100% botanical derived.

Manufactured by:
Skin Elements Limited,
1242 May Street, West Perth,
Western Australia, Australia, 6005.
www.skinelementslimited.com
P +618 623 1900
info@econuture.com.au
www.econuture.com.au

skin elements
enhancing health • without toxicity

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 September 2022

Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (3 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	42	42
1.2 Payments for:	-	-
(a) research and development	(414)	(414)
(b) product manufacturing and operating costs	(52)	(52)
(c) advertising and marketing	(49)	(49)
(d) leased assets	-	-
(e) staff costs	(182)	(182)
(f) administration costs	(96)	(96)
(g) corporate costs	(59)	(59)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	984	984
1.8 Other: (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	173	173
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 (3 Months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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	-	-
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	748	748
4.2 Net cash from / (used in) operating activities (item 1.9 above)	173	173
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)	-	-
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	921	921

	Current quarter \$A'000	Previous quarter \$A'000
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		
5.1 Bank balances	923	923
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)	923	923

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

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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
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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.

<p>LDA Capital Equity Funding Facility Terms and conditions:</p> <p>Key terms and conditions:</p> <ul style="list-style-type: none"> ■ 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. 	
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8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	173
8.2 Cash and cash equivalents at quarter end (Item 4.6)	921
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)	20,921
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	120.9

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, 30 September 2022

Authorised by: The delegated authority of 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.