



Skin Elements Limited ASX ANNOUNCEMENT

ASX CODE : SKN

28 April 2017

Quarterly Activity Report - Period ending 31 March 2017

Australian natural skin care company Skin Elements Limited (ASX: SKN) (Skin Elements, the Company) is pleased to present its Quarterly Activities Report for the period ending 31 March 2017.

Skin Elements is an Australian owned and operated skin care company focused on the development of natural and organic skin care products – including the market leading Soléo Organics 100% natural and organic sunscreen. It aims to expand its product range, and sales and distribution footprint to position the Company as the number one recognised national and international sun screen brand.

QUARTER HIGHLIGHTS

- **IPO and ASX listing:** Successful oversubscribed \$3.71m IPO and ASX listing completed in January.
- **Baxter Laboratories appointed Preferred Manufacturing Partner:** Manufacture and package commercial scale quantities of Skin Elements product range for distribution in major retail markets.
- **Acquisition of leading Australian natural skin care business McArthur Skincare:** Transformational acquisition which delivers substantial immediate turnover and sales.
- **Key senior management appointment:** Australian Head of Sales appointed.
- **Sales and Operations update:** New international sales markets established, marketing programs launched and plans for expansion of product range underway.

MARCH QUARTER COMMENTARY

The March 2017 quarter was a transformational quarter for Skin Elements, highlighted by the successful completion of its oversubscribed IPO and listing on the ASX, on 6 January.

The ASX listing was a core focus for the Company during the quarter, as was positioning the Company corporately and operationally to ensure its success as a publicly listed company. This required a significant allocation of management time and resources.

For the nine months in Skin Elements' financial year to 31 March 2017, customer receipts were \$177, 000. With the ASX listing completed and the Company's full focus now on executing its business plan it is well placed to deliver strong revenue growth over coming quarters.

This growth will be driven by the following key achievements already delivered by the Company;

- During the quarter the Company appointed leading Australian laboratory Baxter Laboratories Pty Ltd (Baxter) as its preferred Manufacturing Partner for its sun and skin care product range. Baxter will now prepare for the first large scale commercial production run of the Soléo Organics sunscreen for distribution in to major retail markets.



Skin Elements Limited ASX ANNOUNCEMENT

ASX CODE : SKN

- Subsequent to the quarter Skin Elements entered into a Binding Agreement to acquire leading Australian natural skin care business McArthur Skincare Pty Ltd. This is a highly complementary and value accretive acquisition, which will immediately deliver substantial turnover and sales from the McArthur Skincare product range.

The Company is in a solid financial position from which to pursue its growth objectives, with \$2.302 million in cash at the end of the quarter. It is also noted that this cash position was impacted by one-off expenses in the quarter in relation to the IPO and ASX listing.

SUCCESSFUL ASX LISTING

On 6 January the Company commenced trading on the ASX today after completing an oversubscribed IPO. The IPO received strong support from investors, which is a reflection of the major global market potential of Skin Elements' unique all natural and organic range of skin care products.

The IPO successfully raised \$3.71 million via the issue of 18.55 million shares at 20 cents each. On listing the Company had a tight capital structure, with 73.55 million shares on issue. The Offer also included one free attaching option for every two shares subscribed for, exercisable at \$0.20 on or before 31 October 2018.

The Corporate Adviser and Lead Manager to the Offer was Perth-based corporate advisory firm Indian Ocean Corporate.

Skin Elements is the owner and developer of a unique portfolio of natural and organic sun care and skin care products. Its lead product, the Soléo Organics sunscreen, has won multiple global awards as the number one sun care product.

Since listing Skin Elements has focused on the implementation of its business plan, which includes the commercial launch of the Soléo Organics sunscreen and the expansion of its product range. The Company is pleased to advise significant progress has been achieved on both endeavours.

The Company has invested \$9 million on developing its portfolio of sun care and skin care products over an eight year period. The Soléo Organics sun screen has undergone a highly successful test marketing phase in major global markets, which generated sales of around \$3 million. It also has distributors in place in more than 15 countries and regulatory approval in key target markets – including the US FDA, the TGA in Australia, Health Canada and Japan Ministry of Health.

BAXTER LABORATORIES APPOINTED PREFERRED MANUFACTURING PARTNER

During the quarter (ASX announcement 8 March 2017) the Company announced the appointment of Baxter Laboratories Pty Ltd as the preferred Manufacturing Partner for Skin Elements' range of natural and organic skin care products.

Skin Elements and Baxter entered into a Good Manufacturing Practice (GMP) Agreement, under which Baxter is responsible for producing and packaging commercial scale quantities of the Soléo Organics sunscreen product range for distribution into major retail markets.



Skin Elements Limited ASX ANNOUNCEMENT

ASX CODE : SKN

Baxter will also produce and package the Company's Elizabeth Jane Natural Cosmetics product range and extensions to the Soléo product range, once product development has been completed.

Baxter was appointed preferred Manufacturing Partner after an extensive, competitive assessment process, which confirmed Baxter as having the most advanced laboratory facilities and the best fit for Skin Elements' commercial production requirements.

Baxter is a global leader in the development, manufacture and supply of world class sun protection products. Its facility in Melbourne, Australia, is able to produce up to 50 million tubes per annum and is currently utilising over 50% capacity – providing scope to meet Skin Elements' proposed production requirements.

The GMP-certified Agreement between Skin Elements and Baxter will ensure proper design, monitoring and control of manufacturing processes and facilities are adhered to in the production of the Skin Elements' product range.

Baxter is an Australian TGA licensed manufacturer of skin care, sunscreen and topical prescription and over-the-counter medicines. It provides an end-to-end service offering which includes; research and development, regulatory services, manufacturing, filling, warehousing and global distribution.

ACQUISITION OF LEADING AUSTRALIAN SKIN CARE COMPANY MCARTHUR SKINCARE

Subsequent to the quarter (ASX announcement 19 April 2017), Skin Elements entered into a Binding Agreement (Agreement) to acquire the business and business assets of Tom McArthur Pty Ltd, the owner and manufacturer of the McArthur Skincare Pty Ltd (McArthur Skincare) range of pawpaw based therapeutic and cosmetic skin care products.

McArthur Skincare is an established, highly successful 100% Australian owned and operated company with a comprehensive range of 17 skin care products, including Therapeutic Goods Administration (TGA) listed therapeutic products and other cosmetic skin care products. Both companies share a common philosophy and commitment to using natural ingredients to deliver the highest quality, healthy and non-harmful skin care solutions to customers. These shared values will help facilitate the integration of the two businesses and product ranges.

Under the Agreement Skin Elements will acquire McArthur Skincare for a total consideration of \$1 million. The acquisition is subject to a period of due diligence to be completed by Skin Elements to its satisfaction on or before 5 May 2017.

Details of acquisition terms and consideration are included in the ASX announcement of 19 April 2017.

The acquisition will immediately transform Skin Elements into an Australian owned and operated natural skin care company of significant scale and size, with substantial turnover and sales from the McArthur Skincare product range. Post-acquisition, the Company will have an expanded product range of 29 products covering therapeutic skin care, sun care, and cosmetic skin and beauty care.



Skin Elements Limited ASX ANNOUNCEMENT

ASX CODE : SKN

Skin Elements will seek to immediately grow sales of the highly popular McArthur Skincare products, and also prepare for the first commercial scale production run of its Soléo Organics sunscreen. It will utilise McArthur Skincare's strong, established sales channels to drive sales of its Soléo branded products, and will also open new sales and distribution channels for the entire consolidation product range.

About McArthur Skincare

McArthur Skincare was founded in 2010 and is one of Australia's leading manufacturers and distributors of natural pawpaw-based skin care products, generating total sales of around \$23 million. It is headquartered in Perth, Western Australia and its products are manufactured at laboratory facilities in Brisbane, Australia. Its product range has expanded from an initial launch of three skin care products to a diverse range of 17 therapeutic and cosmetic skin care products. The therapeutic products are all listed on the Australian Register of Therapeutic Goods (ARTG), and are designed to provide symptomatic relief for psoriasis, dermatitis, eczema and rashes, minor burns and wounds, and muscle, joint and rheumatic pain. **Details of McArthur Skincare's therapeutic skin care products are included in the ASX announcement of 19 April 2017.**

AUSTRALIAN HEAD OF SALES APPOINTED

Subsequent to the quarter, Skin Elements announced a key addition to its senior management team with the appointment of Ms Queena Truong as Australian Head of Sales with immediate effect (ASX announcement 6 April 2017).

In her role, Ms Truong is responsible for developing and implementing sales strategies in the pharmacy, and retail health and wellbeing segments. She is also tasked with developing new innovative sales channels to grow brand awareness and market share for the Skin Elements product range.

Ms Truong has a strong mix of relevant skill sets, having previously worked as a pharmacist for a period of five years at Royal Perth Hospital (RPH) in Western Australia, and also has a depth of experience and strategic insight in international business, from SMEs to multinational operations.

As a pharmacist, Ms Truong worked in a range of clinical and management roles including managing both the inpatient and outpatient pharmacies at RPH. She also has 15 months experience in international business, gained in the hospitality sector in Canada immediately prior to joining Skin Elements.

Ms Truong has a Bachelor of Pharmacy from Curtin University, Western Australia and a Master of Business Administration from the University of Western Australia.

SALES AND OPERATIONS UPDATE

Skin Elements established two new markets for the Soléo Organics sunscreen in the quarter, in the Netherlands and Slovenia. Additionally, global ecommerce business Etailz on Amazon, Organic Natralox in Hong Kong and Alphanet in Japan continued to develop sales for The Company's products.



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Targeted marketing and public relations programs were also instigated during the quarter. These are focused on social media via Instagram, Facebook and Twitter campaigns, and delivered immediate success with the Company's Instagram rapidly expanding.

On completion of the McArthur Skincare acquisition, the Company will seek to further expand the product range with brand extensions to its Soléo Organics sunscreen, and other new innovative skin care products to be developed by an expanded product development team.

It will also focus on the development of its next product range, the Elizabeth Jane Natural Cosmetics products, which has 10 products in the range, with a view to achieving a market launch in the medium term. Further details on progress on these initiatives will be provide in due course.

ENDS

For further information, please contact:

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About Skin Elements

Skin Elements is an ASX-listed skin care company focused on the development of natural and organic skin care products, as an alternative to current chemical-based products. It has developed a portfolio of products which includes its lead product, the Soléo Organics 100% natural and organic sunscreen, and the Elizabeth Jane Natural Cosmetics brand. The Company has completed a highly successful test marketing phase in major international markets for Soléo Organics and has regulatory approval with the USA FDA, TGA and other significant regulators. Skin Elements aims to become the number one recognised national and international sunscreen brand.

Further information is available via the Company website: <http://soleoorganics.com/>

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Skin Elements Limited

ABN

90 608 047 794

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	45	177
1.2 Payments for		
(a) research and development (note 4)	(6)	(94)
(b) product manufacturing and operating costs	(42)	(79)
(c) advertising and marketing	(10)	(14)
(d) leased assets	-	-
(e) staff costs	(46)	(46)
(f) administration and corporate costs	(396)	(446)
1.3 Dividends received	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	156
1.8 Other – Corporate Structuring and Listing expenses (refer note 5)	(255)	(624)
1.9 Net cash from / (used in) operating activities	(710)	(969)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	3,710
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(444)	(477)
3.5 Proceeds from borrowings	7	563
3.6 Repayment of borrowings	(308)	(534)
3.7 Transaction costs related to loans and borrowings	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(745)	3,262

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,757	9
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(710)	(969)
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)	(745)	3,262
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	2,302	2,302

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	2,302	3,757
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)	2,302	3,757

6. Payments to directors of the entity and their associates

**Current quarter
\$A'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

(44)

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Non-executive director remuneration

(44)

7. Payments to related entities of the entity and their associates

**Current quarter
\$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

-

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

N/A

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	N/A	
8.2	Credit standby arrangements	N/A	
8.3	Other (please specify)	N/A	
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	(14)
9.2	Product manufacturing and operating costs	(50)
9.3	Advertising and marketing	(44)
9.4	Leased assets	(30)
9.5	Staff costs	(206)
9.6	Administration and corporate costs	(59)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows (note 6)	(403)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	N/A	N/A
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

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.

Sign here:



Date: 28 April 2017

Print name: Craig Piercy – Company Secretary

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position.
2. This quarterly 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 with the exception of the additional detail presented in item 1.2 above.
3. The Group comprises parent entity Skin Elements Limited (ACN 608 047 794) and wholly owned subsidiary SE Operations Pty Ltd (ACN 110 352 424) acquired on 31 December 2016.
4. The Group has undertaken research and development activities as part of its on-going operations. The costs associated with the research and development process have been identified and disclosed separately from the additional cost categories such as lease, staff and administration costs.
5. The Group was listed on the Australian Securities Exchange (ASX) on 6 January 2017 and has incurred costs in undertaking this process. The Group has separately identified these costs and the impact on the cash flow statement as they represent one-off compliance costs which are not expected to incurred going forward.
6. On the 19 April 2017 the Group announced the acquisition of leading Australian natural skincare business McArthur Skincare. As at the date of this Quarterly Report, the Group has not finalised the acquisition and Item 9 does not include any cash outflows that may result from this acquisition.