



Skin Elements Limited ASX ANNOUNCEMENT

ASX CODE : SKN

31 January 2018

Quarterly Activity Report - Period ending 31 December 2017

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 2017.

Skin Elements is an Australian owned and operated skin care company focused on the development, manufacture and sales of natural and organic skin care products – including the market leading Soléo Organics 100% natural and organic sunscreen, the Elizabeth Jane Natural Cosmetic skincare range and the McArthur range of natural therapeutic skin care products. It aims to expand its product range, and sales and distribution footprint to position the Company as a leading, recognised national and international skin care company.

QUARTER HIGHLIGHTS

- **Successful execution of growth strategy:** Skin Elements continued to execute its growth strategy in the quarter based on core principles; sales growth, accessing new markets and new product development.
- **Increased sales growth:** Company delivered its strongest quarter of sales to date, reporting customer receipts of \$219,000 for the quarter – an increase of 71% on the previous quarter.
- **Key distributors in place in Australian markets:** sales via Australian distributors made a significant contribution to sales in the quarter.
- **New online sales channel launched for Soléo Organics 100% natural and organic sunscreen:** Website launched to drive online sales of Soléo Organics in December 2017.
- **Demand and production expansion:** A 20,000 tube production run of the Soléo Organics sunscreen delivered to meet continued, growing demand.
- **New board appointment:** Mr Phil Giglia was appointed to the board as an Independent Non-Executive Director after the passing of Mr David Humann.
- **Highly positive outlook:** Skin Elements is focused on expanding its sales footprint in Europe, North America and Asia in calendar year 2018 and will update the market of material progress.

DECEMBER QUARTER COMMENTARY

During the quarter, Skin Elements maintained its commitment to executing its business plans, with a core focus on continued business growth. The Company's growth strategy is based on the core principles of delivering sustained sales growth, pursuing entry into new major markets and product development – by both brand and product extension, and acquisition (as evidenced by the successful and highly complementary acquisition of McArthur Skincare in 2017).

The Company's clear focus and direction saw it record its most successful quarter to date. It reported customer receipts for the quarter of \$219,000 – an increase of 71% on the previous quarter. This continued the strong quarter-on-quarter sales growth delivered by the Company since its ASX listing in January 2017 and demonstrates a significant, sustained growth trend in sales. Skin Elements will maintain its commitment to its growth objectives, aligned with a continual improvement in its business processes, which will help maintain the Company's growth trajectory in coming quarters.



Skin Elements Limited ASX ANNOUNCEMENT

ASX CODE : SKN

Skin Elements continues to adopt a prudent approach to capital management across the business and continues to assess cash inflows from operations, investing activities and financing activities to ensure that it has sufficient cash to meet operational requirements. The Company has a cash balance of \$651,000 at the end of the quarter in addition to trade receivables totaling \$107,000, inventory-on-hand of \$375,000, and a facility in place of \$550,000.

The Company's strong sales performance in the December quarter was supported by its established markets and channels, and included strong sales from its Australian and New Zealand distributors.

The Company also increased its direct online sales capability via the launch of a new leading edge e-commerce focused website in December. It anticipates the direct online sales channel will deliver significant new sales of the Soléo Organics and McArthur Skincare product ranges over the subsequent quarter. The new online sales website is available via the Skin Elements company website; <http://skinelementslimited.com> or at; <https://soleoorganics.com/>.

ENDS

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 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, pawpaw based McArthur natural therapeutic skincare, 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://skinelementslimited.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 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	219	347
1.2 Payments for		
(a) research and development	(130)	(185)
(b) product manufacturing and operating costs	(71)	(112)
(c) advertising and marketing	(23)	(36)
(d) leased assets	(25)	(47)
(e) staff costs	(280)	(522)
(f) administration and corporate costs	(60)	(213)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	197
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(369)	(580)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	(128)	(200)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(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 (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(128)	(200)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	24	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
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	24	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
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	1,124	1,407
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(369)	(580)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(128)	(200)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	24	24
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	651	651

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	651	651
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)	651	651

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	(60)
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 (per Directors service agreements)		-
Executive directors remuneration (per Executive service agreements)		(60)

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	(16)
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	
Office rent – sublease calculated on allocation of cost of head lease		

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.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	(60)
9.2	Product manufacturing and operating costs	(15)
9.3	Advertising and marketing	(24)
9.4	Leased assets	(25)
9.5	Staff costs	(250)
9.6	Administration and corporate costs	(50)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	(424)

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	N/A	N/A
10.3	Consideration for acquisition or disposal	N/A	N/A
10.4	Total net assets	N/A	N/A
10.5	Nature of business	N/A	N/A

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: CPiercy
(Company secretary)

31 January 2018
Date:

Craig Piercy
Print name:

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*.
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. Payments for operating activities made by the Group during the quarter and year to date are disclosed at 1.2 above. The Group has undertaken research & development activities as part of its on-going operations with the costs directly related to these research & development activities identified and disclosed separately at 1.2(a). Payments reported in other categories 1.2(b) – (f) may also related to these research & development activities and maybe disclosed as such in its full financial statements.
5. The Group acquired specific assets of the McArthur PawPaw Skincare rage in May 2017 including inventory on hand as at 5 May 2017. Payment for the inventory component is being made progressively with payment made during the three month quarter ended 31 December 2017 disclosed at 2.1(b) above.