



20 April 2018

Wade Baggot
Principal Advisor, Listing Compliance (Perth)
ASX Compliance Pty Limited
20 Bridge Street
Sydney NSW 2000

Dear Wade

SKIN ELEMENTS LIMITED (SKN) - RESPONSE TO ASX QUERY

We refer to ASX's letter to SKN dated 13 April 2018 ("ASX Letter").

On 21 December 2017, SKN released on ASX's Market Announcement Platform ("MAP") an announcement titled "*Analyst Research Coverage Initiated on Skin Elements*" ("Analyst Report Announcement"). The Analyst Report Announcement included a link to the research report titled "*Skin Elements: Set for upside from these Price Levels*" by Gloucester & Portman Capital Pty Ltd ("GPC") dated 16 October 2017 ("Research Report"), appearing on SKN's website.

Our response to your specific questions concerning this release is set out below:

1. Did SKN commission GPC and agree to pay it \$10,000 (exclusive of GST) to produce the Research Report? If not, who did?

SKN commissioned GPC to undertake the Research Report and agreed to pay GPC \$10,000 (plus GST) to produce the Research Report.

SKN believe that the fee paid to GPC is consistent with standard market practice.

2. When did SKN receive the final version of the Research Report from GPC for inclusion on SKN's website?

SKN received the final version of the Research Report from GPC on 16 October 2017. SKN did not release the Analyst Report Announcement until 21 December 2017, because it was considering the final version of the Research Report.

3. Did SKN receive any drafts of the Research Report for review or comment prior to the date?

SKN received several drafts of the Research Report from GPC between 13 September 2017 and 16 October 2017.

The purpose of receiving these drafts was to confirm that the Research Report was factually accurate.

4. Apart from the Research Report, what other services has GPC provided to SKN since SKN was admitted to ASX and what has SKN paid to GPC for those services?

SKN has entered into a corporate advisory mandate with GPC to increase the profile of SKN within the sophisticated investor community and assist with raising further working capital.

Apart from the Research Report, SKN paid \$6,600 to GPC as a placement fee in relation to SKN's initial public offering, and \$20,556 for corporate consulting services and investor relations services including introducing SKN to various wholesale and institutional investors and presentations to various broker firms.

5. The title to the Analysts Report Announcement (“Analyst Research Coverage Initiated on Skin Elements”) strongly suggests that GPC provides specialist analyst research services. GPC’s website does not list that as part of GPC’s core set of services. To SKN’s knowledge

a) For how many companies does GPC provide research coverage generally?

SKN understands that GPC has not provided research coverage to other companies. However the principals of GPC, including the author of the Research Report, have published various reports for many ASX listed companies, including companies in healthcare & biomedical sectors, over the last 15 years from a wide range of sectors.

b) What percentage of the companies covered by GPC’s research have commissioned the report?

Refer to question 5(a) above.

c) For how many companies in the same GICS category as SKN does GPC provide research services?

SKN understands that GPC has not provided research services to other companies in the same GICS category as SKN. SKN's GICS category is "Households & Personal Products".



d) Who was the research analyst at GPC who produced the Research Report?

Mr Enrico Mattiaccio, the principal of GPC.

e) What experience does that research analyst have in analysing and publishing research on companies such as SKN?

Enrico Mattiaccio has approximately 20 years' experience in most facets of Australian financial markets including equities and corporate finance. He has published various reports for many ASX listed companies over the last 15 years from various sectors, most of which were published while he was partner and authorised representative at C.K. Locke & Partners, an Australian financial services firm. He is currently completing his Masters in Finance, and is a qualified Investment Advisor, and member of Securities Institute of Australia (now FINSA) and Australian Financial Markets Association (AFMA).

6. If SKN commissioned GPC to produce the Research Report, please describe the factors that SKN took into account in deciding to commission GPC to produce the Research Report.

SKN took into account the following matters in deciding to commission GPC to prepare the Research Report:

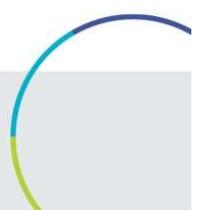
- GPC's principal, Enrico Mattiaccio has over 15 years' experience in publishing these types of research reports.
- GPC is an independent Corporate Authorised Representative (No 430273) of Indian Ocean Management Group Pty Ltd (AFSL 336409).
- SKN has a previous relationship with GPC through SKN's initial public offering and GPC is familiar with SKN's history, business operations, and market potential.

7. Noting the relationship of Luke Martino with SKN and Indian Ocean Group, did he play any role in SKN in deciding to commission GPC to produce the Research Report? If so, what was that role?

Luke Martino did not play any role in SKN deciding to commission GPC to produce the Research Report.

Research Report

8. Was SKN the source of the Revenue Forecasts contained within the Research Report? If it wasn't, what information did SKN provide to GPC for it to produce the Revenue Forecasts in the Research Report? In answering this question please identify which information was publicly available and which information was not.



SKN was not the source of the Revenue Forecast contained within the Research Report. The Revenue Forecast was prepared by GPC based on their own independent assessment of SKN. SKN assumes that the Revenue Forecast contained within the Research Report was based on SKN's publicly available information, including ASX announcements by SKN.

SKN had several meetings and telephone calls with GPC to discuss and further clarify SKN's business and operations. However SKN ensured that it did not provide any information to GPC beyond information that is publicly available.

9. Noting ASX's view that SKN has impliedly endorsed the Revenue Forecasts by publishing the Research Report on its website and a link to it on MAP and ASIC's disclosure requirements in regulatory Guide 170, please provide the following information for the Revenue Forecasts.

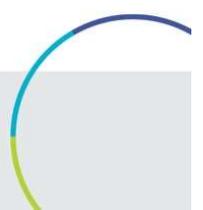
We note in the ASX Letter that it is ASX's opinion that an entity publishing an analyst forecast on the MAP constitutes an implied endorsement for the forecast or estimate. Notwithstanding the contents of ASX Guidance Note 8, we respectfully disagree with this view in relation to the Analyst Report Announcement.

The Revenue Forecast was prepared by an independent third party and not obtainable from SKN without going through a "disclaimer page" on SKN's website containing, in part, the following:

"Copies of third party reports which are reproduced on this website (Reports) are provided for information purposes only. Those Reports are reproduced in the form in which those Reports were provided to Skin Elements Limited has not independently verified their contents. Accordingly, Skin Elements Limited takes no responsibility for the accuracy or the completeness of those Reports. You should also be aware that each Report only purports to be current as at the date of the relevant Report, and that the Reports themselves may be subject to change.

The Reports may contain estimates, projections, targets, opinions and/or forecasts concerning the anticipated future performance of Skin Elements Limited (Forward Looking Statements), which statements involve significant elements of subjective judgement and analysis which may or may not be correct. The subjective judgment and analysis involved in making those Forward Looking Statements are based on the views and opinions on the authors of those Reports, and are not those of Skin Elements Limited. Forward Looking Statements are not a guarantee of future performance and are subject to a number of factors, involve certain risks, uncertainties and assumptions which could cause actual outcomes and results to differ materially from those expressed, implied or projected in the Reports. The past performance of Skin Elements Limited cannot be relied upon as a guide to its future performance.

Skin Elements Limited and its directors, officers, employees, associates, affiliates and agents (each a Relevant Person) make no representations or warranties, express or implied, in relation to the accuracy, reliability or completeness of the Reports (including any Forward Looking Statements made in those Reports) or the past or future performance of Skin Elements Limited .



To the maximum extent permitted by law, Skin Elements Limited and each Relevant Person expressly disclaims any responsibility for the accuracy, reliability or completeness of the material contained in the Reports and excludes any liability for any loss, claim, damages, costs or expenses of whatever nature (whether direct, indirect or consequential), including, without limitation, any liability arising from fault or negligence on the part of any of Skin Elements Limited, any Relevant Person, or any other person, for any loss arising from the use of, or reliance on, the Reports or their contents or otherwise arising in connection with the Reports or any inaccuracies or omissions in them. Skin Elements Limited accepts no responsibility to update any person regarding any inaccuracy, omission or change in information in the Reports or any other information made available to a person, nor any obligation to furnish the person with any further information.

Providing access to the Reports should not be construed as investment advice or a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any transaction by Skin Elements Limited or any Relevant Person. Skin Elements Limited does not warrant or represent that the Reports are suitable for your intended use or that of any other person as the Reports have not been prepared taking into account individual investors' particular needs including investment objectives and financial situation. Any potential investor should take appropriate steps to verify the information in the Reports and seek independent financial advice before acting upon it."

9.1 The basis for the Revenue Forecasts.

SKN has historically been in the research and development phase, including test marketing sales to position the SKN sunscreen and skincare technologies for commercialisation. Post listing on ASX, SKN has sought to develop these existing sales channels and continues to negotiate with commercial wholesale distribution agencies. SKN primarily generates revenue through sales to wholesale distribution agents, who then on-sell direct to retailers and also has an online sales presence which is continuing to provide SKN with a steady source of revenue.

As announced by SKN on 5 May 2017, SKN completed the acquisition of the McArthur Skincare range from Tom McArthur Pty Ltd ("McArthur Acquisition"). The McArthur Skincare range historically produced over \$23 million in total revenue over the previous five years. SKN is in the process of building on these historical sales and exploiting synergies arising from the McArthur Acquisition, including increasing its product range and market presence.

SKN generates its own internal revenue forecasts ("Internal Revenue Forecasts") having regard to the following key information :

- SKN's historical track record of test marketing sales through existing distributors to the health sector in Australia, taking into account expansion into the pharmacy sector;
- SKN's historical sales through international wholesalers and importers with expanded product ranges into new markets;
- SKN's historical and anticipated online sales to personal consumers in Australia;



- SKN's financial position and financial performance since its most recent reporting date;
- the development of SKN's three main product technologies namely Soleo Organics Natural Sunscreen, McArthur pawpaw skincare, and EJNC natural cosmetics, with Therapeutic Goods Administration ("TGA") registrations and international registrations such as FDA and other international health regulatory agencies;
- the expansion progress of SKN's products with key wholesalers in key markets such as USA, Europe & China;
- the global sun care and natural skincare market, and opportunities derived from independent market research reports available publicly;
- SKN's market peers; and
- development and implementation of marketing strategies to increase sales.

A review of the Revenue Forecast in the Research Report has identified that the headings in the financial summary and forecast on page 13 of the Research Report contain an error. The table contains the following headings:

	2017-18 (E)	2018-19 (E)	2019-20 (E)	2020-21 (E)	2022-23 (E)
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GPC have advised that the column headings should be as follows:

	2018	2019	2020	2021	2022
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Source: The above forecasted financial & assumptions from Gloucester & Portman Capital, forecasted assumption revenues, estimated for at end of the calendar periods of the stated period in the above table.

GPC has advised that the correction above has not impacted their assessment of the underlying Revenue Forecasts, rather is a clarification of the timing on their forecast of revenue.

9.2 The material assumptions underpinning the Revenue Forecast.

Other than reviewing the Research Report for factual accuracy, SKN was not involved in the preparation of the Revenue Forecast and therefore is unable to comment on the material assumptions adopted by GPC in preparing the Revenue Forecast.

SKN does note that the Revenue Forecast is materially consistent with its own Internal Revenue Forecast. SKN's Internal Revenue Forecast was based on the key information as set out in 9.1 above and the following key material assumptions:

- Baseline results of actual test market sales of available product lines achieved historically;*



SKN has historically recorded over \$4 million in test market sales of its Soleo Organics natural sunscreen in the Australian health sector and selected international channels including USA, Japan, New Zealand, Hong Kong, Slovenia and United Kingdom. McArthur pawpaw skincare has historically recorded \$23 million in sales mainly to Australian online consumers. McArthur recorded over \$15 million in sales in first two years of its development following national media coverage of its inventor, Tom McArthur. Since then, McArthur was required by the TGA to reformulate and register separately therapeutic claims by its products. This required revising its business strategies ultimately resulting in its acquisition by SKN and repositioning of the McArthur product range. SKN has not yet achieved online sales at rates similar to historical sales. However, SKN has commenced reorganising its website and is implementing strategies which are already resulting in sales at a significantly increased level.

b) Assessment of market profiles and sizes for the SKN current and future products in Australia and internationally from independent industry recognised market research analysis;

As disclosed in SKN's prospectus dated 18 December 2015 ("Prospectus"), SKN is actively looking to expand its market penetration outside the health store sector, including into pharmacy retailers and supermarket and grocery retailers.

Independent market analysis indicates that the health store sector accounts for less than 10% of suncare sales in Australia annually, with over 43.7% of suncare sales through volume supermarkets and 39.7% attributable to the pharmacy sector. The Australian suncare market is estimated at A\$245 million each year (Source: Euromonitor).

Entry into the pharmacy channels followed by volume supermarket channels represents a potentially significant market penetration for SKN's suncare product range, potentially accounting for over 80% of revenue from physical store purchases.

c) Modelling of prospective sales using these existing baselines and market size and penetration statistics;

By extrapolating existing baseline sales of Soleo Organics in the health sector to pharmacy channels, SKN expects that sales of Soleo Organics should substantially increase in the first year.

Initial penetration into selected existing international markets (for which SKN already has health registration and representation) including USA, Japan, New Zealand, Hong Kong, Slovenia and United Kingdom is based on sales experience.

By refreshing its website and online presence, SKN expects to achieve similar or better sales of McArthur pawpaw skincare products as achieve historically. SKN will also



introduce McArthur to its international distributor network as noted above for initial test sales assessment.

SKN is anticipating to launch its Elizabeth Jane Natural Cosmetics (EJNC) product range with anticipated initial revenue from the EJNC product range based on historical test marketing program. Commercialising the EJNC product range was a key focus of SKN upon listing on ASX (refer to sections 2.5 and 3.2 of the Prospectus).

In the second year SKN expects to increase existing sales through existing channels through the execution of its marketing and branding programs to increase awareness of the benefits of its premium natural skincare products and the introduction of a natural “economy” version of its skincare formula for the volume supermarket channel.

In years three & four SKN anticipates to leverage of the established sales channels and expand into additional international markets for which it is currently seeking regulatory approval such as Brazil and China for all product ranges resulting in increasing sales revenue each year. Achieving product expansion into Brazil was a key aim of the SKN as outlined in section 5.1 of the Prospectus).

d) comparison of these prospective sales targets to feedback and indicative order targets provided by existing and prospective wholesale, distributor and retailer channels to confirm reasonableness.

SKN has non-binding importation / distribution agreements with agencies in several key markets including Japan, New Zealand, Hong Kong, Singapore, Slovenia, China and Brazil. These agencies have undertaken initial test marketing sales of the Soleo Organics products and together with prospective new agencies provided indicative feedback on the development of markets in those regions which is consistent with SKN's estimation of market penetration for its products.

The assumptions upon which SKN's Internal Revenue Forecast is based are subject to significant uncertainties and contingencies, many of which are outside SKN's control, and may not be readily predictable.

The disclosure of the assumptions is intended to assist in assessing the reasonableness and likelihood of the assumptions occurring and the possible effect on the Revenue Forecast if they do not occur and is not intended to be a representation that the assumptions will occur.

9.3 The factors which SKN believes gave it a reasonable basis to publish the Revenue Forecasts via the Research Report.

SKN believes that there was a reasonable basis to publish Analyst Report Announcement containing a link to the Research Report and Revenue Forecast as the Revenue Forecast was materially consistent with SKN's Internal Revenue Forecast.



9.4(a) What steps did SKN take to verify the reasonableness and reliability of the Revenue Forecasts.

SKN reviewed the Revenue Forecast in the Research Report against its own Internal Revenue Forecast at the time. On the basis that the Revenue Forecast were within the SKN's Internal Revenue Forecast and taking into account the material assumptions underlying the Internal Revenue Forecast described in the response to question 9(b) above, SKN was of the view that the Revenue Forecast was reasonable.

9.4(b) Any independent or objectively verifiable sources of information that SKN has to establish that there are reasonable grounds for the Revenue Forecasts.

Refer to question 9.4(a) above.

General Compliance

10. Please confirm that SKN is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

SKN confirms that it is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

11. Please confirm that SKN responses to the questions above have been authorised and approved in accordance with its published disclosure policy or otherwise by its Board or an officer of SKN with delegated authority from the Board to respond to ASX on disclosure matters.

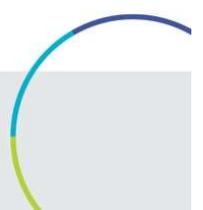
SKN confirms that the responses to the questions above have been authorised and approved in accordance with its published disclosure policy by the Board of SKN.

BY ORDER OF THE BOARD

Yours sincerely



Craig Piercy
Company Secretary





13 April 2018

Mr Craig Piercy
Company Secretary
Skin Elements Limited
32 Ord Street
West Perth WA 6005

By Email: craig@senatural.com

Dear Mr Piercy

Skin Elements Limited ("SKN")

ASX Limited ("ASX") refers to the following:

- A. The announcement by SKN released on ASX's Market Announcement Platform at 12:37pm AEDT on 21 December 2017 titled "*Analyst Research Coverage Initiated on Skin Elements*" ("Analyst Report Announcement"). The Analyst Report Announcement included a link to the research report titled "*Skin Elements: Set for upside from these Price Levels*" by Gloucester & Portman Capital Pty Ltd ("GPC") dated 16 October 2017 ("Research Report"), appearing on the SKN website and includes the following statement:

"...However, GPC will receive \$10,000 (excl. GST) for the preparation of this report. Employees of GPC have been previously invited to Skin Elements Offices to discuss Skin Elements current and future business plan."

- B. The Research Report by GPC includes, among other things, the following table forecasting revenue from 2018 to 2023 ("Revenue Forecast").

	2017-18 (E)	2018-19 (E)	2019-20 (E)	2020-21 (E)	2022-23 (E)
Revenue	5,000,000	12,000,000	36,000,000	43,200,000	51,840,000
EBIT	3,150,000	7,560,000	22,680,000	27,216,000	32,659,200
FCF	2,400,000	5,760,000	17,280,000	20,736,000	24,883,200
WC Change	500,000	1,200,000	3,600,000	4,320,000	5,184,000
EBIT Margin	63%	63%	63%	63%	63%
Outstanding shares	76,715,000	85,550,000*	105,550,000*	135,550,000*	155,550,000*
EPS**	0.04	0.09	0.21	0.20	0.21
EPS Growth		115%	143%	-7%	5%

Source: The above forecasted financial & assumptions from Gloucester & Portman Capital,

*Forecasted Outstanding shares for the relevant periods, based on assumed future proposed dilution from capital raisings and/or future acquisitions.

**EPS has been assumed to be net profit.

The Research Report attributes the source of the information above as “The above forecasted financial & assumptions from Gloucester & Portman Capital”.

- C. GPC is a Corporate Authorised Representative (No. 4300273) of Indian Ocean Management Group Pty Ltd, AFSL:336409.
- D. GPC’s office is located at 311-313 Hay Street Subiaco Western Australia 6008. Indian Ocean Management Group are located at 311-313 Hay Street Subiaco Western Australia 6008.
- E. Luke Martino, a Director of SKN is a Director of Indian Ocean Group, which we understand includes Indian Ocean Management Group Pty Ltd, AFSL 336409.
- F. ASIC’s Regulatory Guide 170: *Prospective financial information*, in particular:

RG 170.11 - *We believe the general test of whether prospective financial information must be disclosed is whether it is:*

- (a) *relevant to its audience; and*
- (b) *reliable (i.e. there must be a reasonable basis for it: see GIO Australia Holdings Ltd v. AMP Insurance Investment Holdings Pty Ltd (1998) 29 ACSR 584).*

RG 170.17 - *The making of a statement that contains prospective financial information (i.e. a forward-looking statement) must have reasonable grounds or it will be taken to be misleading under s728(2) or 769C of the Corporations Act. What are ‘reasonable grounds’ should be determined objectively in light of all of the circumstances at the time of the statement, so that a reasonable person would view as reasonable the grounds for the statement.*

RG 170.18 - *We consider that prospective financial information based on hypothetical assumptions (rather than reasonable grounds) is likely to be misleading and provide little information value to investors. In our view, prospective financial information without reasonable grounds is not material to investors, nor would an investor reasonably require it or reasonably expect to find it in a disclosure document or PDS.*

RG 170.41 - *We generally consider that prospective financial information for a period of more than two years may require independent or objectively verifiable sources of information to establish that there are reasonable grounds to provide it. However, for an existing business preparing a statement on estimates for up to two years, we will generally not regard as necessary independent verification if there otherwise appear to be reasonable grounds to make the statement. Directors should state why they believe the information is objectively reasonable. We may still take action on a statement on estimates for up to two years if we believe there are no reasonable grounds to provide it.*

RG 170.42- *The reasonable grounds requirement means that there should be a relevant factual foundation for the prospective financial information and that the information is not contrived: see George v. Rockett (1990) 170 CLR 104 and Re Aldred & Dept of the Treasury (1994) 35 ALD 685.*

RG 170.50 - ***The general principles in this regulatory guide also apply to advertising because of the interaction of s769C and 1041H.*** [emphasis added]

Section 769C states:

For the purposes of this Chapter, or of a proceeding under this Chapter, if:

- (a) *a person makes a representation with respect to any future matter (including the doing of, or refusing to do, any act); and*
- (b) *the person does not have reasonable grounds for making the representation; the representation is taken to be misleading.*

Section 1041H states:

A person must not, in this jurisdiction, engage in conduct, in relation to a financial product or a financial service, that is misleading or deceptive or is likely to mislead or deceive.

RG 170.59 - Investors should be given enough information to enable them to:

- (a) *assess whether the prospective financial information is relevant and reliable (i.e. to form their own view about how reasonable the grounds are for making the statement); and*
- (b) *identify with certainty the facts and circumstances that support prospective financial information, as well as being able to demonstrate that the information is reasonable.*

RG 170.61 - A disclosure document or PDS must specifically disclose any assumptions used in compiling prospective financial information that materially affect the forecast outcome. The assumptions should be detailed and specific enough to enable the investor to work through all of the prospective financial information. This may require details about how returns are calculated during each year that the information covers. Among other things, assumptions about expenditures, revenues, inflation rates and other such variables should be clearly disclosed and highlighted if different assumptions have been used for different parts of the term that the prospective financial information covers.

RG 170.62 Investors must be able to assess:

- (a) *the validity of the assumptions on which the prospective financial information is based;*
- (b) *the likelihood of the assumptions actually occurring; and*
- (c) *the effect on the prospective financial information if the assumptions vary.*

RG 170.63 - We expect a disclosure document or PDS to disclose material assumptions about:

- (a) *specific future economic conditions; and*
- (b) *particular circumstances affecting a company or financial product and the industries relevant to that company or financial product.*

RG 170.64 - Disclosure of the material assumptions allows an investor or adviser to make an informed assessment of an issuer's prospects, or a person as a retail client to make an informed decision whether to acquire the product.

RG 170.65 - An assessment of the impact of these assumptions on prospective financial information should also be included. However, a disclosure document or PDS does not have to:

- (a) *state general assumptions, such as the absence of war or natural disasters, unless the forecast takes these events into account; or*
- (b) *disclose assumptions that would not materially affect the prospective financial information.*

RG 170.66 - *It is not sufficient to state the general nature of an assumption. Specific quantities or amounts should be set out. For example, it may not be sufficient to state that prospective financial information is based on an anticipated recovery in equity markets, without setting out the amount of the required recovery: see GIO Australia Holdings Ltd v. AMP Insurance Investment Holdings Pty Ltd (1998) 29 ACSR 584.*

RG 170.67 - *We consider that because the presence or absence of reasonable assumptions is a factor in any determination of whether an issuer has satisfied the relevant disclosure obligation, the basis for the assumptions underlying the prospective financial information should be stated in the disclosure document or PDS in order that an investor has some means of assessing that information: see Miba Pty Ltd v. Nescor Industries (1996) 141 ALR 525 and Wesfi Ltd v. Blend Investments Pty Ltd (1999) 31 ACSR 69.*

RG 170.68 - *Disclosure of the basis for prospective financial information may reduce the capacity of the information to mislead because such disclosure assists the assessment/decision of an investor or retail client.*

RG 170.78 - *Investors must be able to assess the reliability of prospective financial information. To do this, they should be able to assess whether the key assumptions are likely to occur. Therefore, a disclosure document or PDS must disclose material details about the enquiries and research undertaken and the process followed in preparing the information.*

A complete copy of the Regulatory Guide is available at:

<http://download.asic.gov.au/media/1240943/rg170-010411.pdf>

- G. Section 7.5 of ASX's Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B "Publishing analyst forecasts or consensus estimates generally"* which states, amongst other things that:

"From time to time, ASX is asked for its view on whether an entity should publish information about analyst forecasts or consensus estimates so that investors have better access to that information and a better understanding of the market's expectations for its earnings.

In ASX's view, with very few exceptions, a single analyst's forecast or a single consensus estimate is not information that is required to be, or that should be, published on the ASX Market Announcements Platform under Listing Rule 3.1. Publishing this information on the ASX Market Announcements Platform implies that the entity considers it to be market sensitive. It could only be market sensitive if it reflects or approximates the entity's own view of its likely earnings. Hence, the very act of publishing an analyst's forecast or consensus estimate on the ASX Market Announcements Platform constitutes an implied endorsement of the forecast or estimate. It therefore amounts to de facto earnings guidance, with the potential consequences described in '7.2 De facto earnings guidance'. [Emphasis added]

For these reasons, ASX will not generally allow an entity to publish a single analyst's forecast or a single consensus estimate on the ASX Market Announcements Platform without a detailed and acceptable explanation as to why the entity considers this information to be market sensitive."

Request for Information

Having regard to the above, ASX asks SKN to respond separately to each of the following questions and requests for information in a form suitable for release to the market:

Gloucester & Porter Capital

- 1 Did SKN commission GPC and agree to pay it \$10,000 (exclusive of GST) to produce the Research Report? If not, who did?
- 2 When did SKN receive the final version of the Research Report from SKN for inclusion on SKN's website?
- 3 Did SKN receive any drafts of the Research Report for review or comment prior to the date?
- 4 Apart from the Research Report, what other services has GPC provided to SKN since SKN was admitted to ASX and what has SKN paid to GPC for those services?
- 5 The title to the Analyst Report Announcement ("*Analyst Research Coverage Initiated on Skin Elements*") strongly suggests that GPC provides specialist analyst research services. GPC's website does not list that as part of GPC's core set of services. To SKN's knowledge:
 - (a) For how many companies does GPC provide research coverage generally?
 - (b) What percentage of the companies covered by GPC's research have commissioned the report?
 - (c) For how many companies in the same GICS category as SKN does GPC provide research services?
 - (d) Who was the research analyst at GPC who produced the Research Report?
 - (e) What experience does that research analyst have in analysing and publishing research on companies such as SKN?
- 6 If SKN commissioned GPC to produce the Research Report, please describe the factors that SKN took into account in deciding to commission GPC to produce the Research Report.
- 7 Noting the relationship of Luke Martino with SKN and Indian Ocean Group, did he play any role in SKN in deciding to commission GPC to produce the Research Report? If so, what was that role?

Research Report

- 8 Was SKN the source of the Revenue Forecasts contained within the Research Report? If it wasn't, what information did SKN provide to GPC for it to produce the Revenue Forecasts in the Research Report? In answering this question please identify which information was publicly available and which information was not.
- 9 Noting ASX's view that SKN has impliedly endorsed the Revenue Forecasts by publishing the Research Report on its website and a link to it on MAP and ASIC's disclosure requirements in Regulatory Guide 170, please provide the following information for the Revenue Forecasts:
 - 9.1 The basis for the Revenue Forecasts;
 - 9.2 The material assumptions underpinning the Revenue Forecasts;
 - 9.3 The factors which SKN believes gave it a reasonable basis to publish the Revenue Forecasts via the Research Report;
 - 9.4 What steps did SKN take to verify the reasonableness and reliability of the Revenue Forecasts; and

9.5 Any independent or objectively verifiable sources of information that SKN has to establish that there are reasonable grounds for the Revenue Forecasts.

General Compliance

10 Please confirm that SKN is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

11 Please confirm that SKN's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SKN with delegated authority from the board to respond to ASX on disclosure matters.

Once ASX has received and analysed the information above, it is likely to make further enquiries of SKN.

In providing the information above, ASX would remind you that an officer or employee of a listed entity who gives, or authorises or permits the giving of, materially false or misleading information to ASX:

- knowingly, breaches section 1309(1) of the Corporations Act, which is a criminal offence punishable by a fine of up to 200 penalty units and/or imprisonment for up to 5 years; or
- without taking reasonable steps to ensure that the information was not false or misleading, breaches section 1309(2) of the Corporations Act, which is a criminal offence punishable by a fine of up to 100 penalty units and/or imprisonment for up to 2 years.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **7.00 a.m. WST on Tuesday, 17 April 2018**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1, and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph. If any of the information requested under this letter requires immediate disclosure, SKN should request a trading halt while it prepares an announcement to disclose the information.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at tradinghaltspert@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to SKN's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that SKN's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[sent electronically without signature]

Wade Baggott

Principal Adviser, Listings Compliance (Perth)