



Skin Elements Limited ASX ANNOUNCEMENT

ASX CODE : SKN

30 April 2018

Quarterly Activity Report - Period ending 31 March 2018

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 2018.

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 Skincare range of therapeutic and cosmetic skin care products. It is in the process of expanding its product range, and sales and distribution footprint to position the Company as a leading, recognised national and international skin care company.

QUARTER HIGHLIGHTS

- **Advancements in R&D program focused on expanding the product range:**
The Company continued to work on the improvement and expansion of its natural organic skincare product range.
- **Corporate Advisor appointed to drive acquisition strategy:**
MMR Corporate Services appointed as Corporate Advisors to drive Skin Elements' strategy for growth by acquisition in the global natural skin care market
- **Exposure to global markets:**
Skin Elements is focused on expanding its presence in European, North American and Asian markets and will update the market of any material progress.
- **Continued execution of growth strategy:**
Skin Elements maintained its focus and commitment to its growth strategy in the quarter based on core principles of sales growth, accessing new markets and new product development.
- **New business growth delivered from new product-focused Company website:**
With inventory now in place traction commencing from Company's product and sales focused website launched in the quarter.
- **Sales momentum established:**
Company delivered another increased quarter of sales, reporting customer receipts of \$210,000 for the quarter – continuing sales growth as part of our sales focus this calendar year.

- **Demand growth for key Soleo & McArthur Skincare products:**
Sales of the core Soleo Organics suncare range and McArthur Skincare pawpaw-based product delivered increasing sales for the quarter.

MARCH 2018 QUARTER COMMENTARY

During the quarter, Skin Elements core focus continued on the execution of its plans to drive business growth via sustained sales growth, entry into new major markets and product development – by both brand and product extension, and acquisition in support of its growth objectives.

During the quarter Skin Elements appointed corporate advisory firm MMR Corporate Services Pty Ltd (MMR Corporate) as Corporate Advisors to drive the Company's acquisition strategy (ASX announcement, 6 March 2018). MMR Corporate will act as Corporate Advisors and Transaction Facilitators to Skin Elements as it seeks to implement the acquisition component of its growth model. MMR Corporate will work with Skin Elements to source, secure and execute value accretive acquisition and merger opportunities in the global skin care, cosmetics, and other complementary and related sectors. MMR Corporate will also provide advice with respect to capital raising and funding strategy to support any transactions entered into, as well as general corporate advice. Material progress on any acquisition and merger opportunities will be reported to the market.

The Company delivered another highly positive quarter of sales, with customer receipts of \$207,000 reported in the quarter. This result highlights the strong and consistent level of sales being generated by the Company's Soléo Organics and McArthur Skincare product ranges, and maintains the results of the previous quarters.

The McArthur Skincare pawpaw-based product continued to have a positive impact on sales in the quarter with a number of new orders being received, and the Company began to see strong, positive traction from its new sales and product-focused website, launched in the previous quarter.

Moving forward, Skin Elements will continue to focus on its growth objectives, and is committed to maintaining the structured and orderly growth of the business in coming quarters.

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's cash balance at the end of the quarter was \$175,000. In addition it had trade receivables totalling \$54,000 and inventory-on-hand of \$280,000, significantly reduced trade payables plus a facility in place of \$400,000. Further to this, the Company is currently assessing opportunities in the investment market to access additional funding to support the growth of the business and will advise the market of material progress on this front.

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, 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		Quarter ended ("current quarter")
90 608 047 794		31 March 2018

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	210	557
1.2	Payments for		
	(a) research and development (note 4)	(367)	(852)
	(b) product manufacturing and operating costs	(187)	(299)
	(c) advertising and marketing	(26)	(62)
	(d) leased assets	(23)	(70)
	(e) staff costs	(63)	(285)
	(f) administration and corporate costs	(83)	(305)
1.3	Dividends received	-	-
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	-	-
1.9	Net cash from / (used in) operating activities	(539)	(1,119)

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 note 5)	(12)	(212)
	(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	(12)	(212)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	75	99
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	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	75	99

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	651	1,407
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(539)	(1,119)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(12)	(212)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	75	99
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	175	175

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	175	655
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)	175	655

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	(90)
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 the directors agreements)		Nil
Executive directors remuneration (per the service agreement)		(90)

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	(6)
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 as the cost of the 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	N/A
8.2	Credit standby arrangements	N/A	N/A
8.3	Other Convertible Note Facility (not drawn)	\$400	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	(140)
9.2	Product manufacturing and operating costs	(10)
9.3	Advertising and marketing	(10)
9.4	Leased assets	(35)
9.5	Staff costs	(60)
9.6	Administration and corporate costs	(20)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	(275)

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: 

Company Secretary

Date: 30 April 2018

Print name: Craig Piercy

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 Skin Elements 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 acquired specific assets of the McArthur Skin Care in May 2017. As part of the acquisition the Group agreed to purchase the stock that existed as at 5 May 2017 on a deferred payment arrangement. The payment listed in item 2.1(b) above relates to a part payment for that stock for the three month period to 31 March 2018.