



31 July 2018

## Quarterly Activity Report - Period ending 30 June 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 30 June 2018.

### QUARTER HIGHLIGHTS

- **Sales growth momentum continues:**

The Company delivered another quarter of sales growth, reporting customer receipts of \$287,000 for the quarter – an increase of 37% over the previous quarter, driven by the continuing sales performance of the Company's development through its online sales channel. The quarterly result continued strong sales growth for the year ending 30 June 2018, with the Company reporting total annual customer receipts of \$844,000 – a substantial increase of over 200% from the previous year.

- **Expansion of the product range:**

The Company continued to work on the development of its skincare product range with a focus on delivering quality new natural and organic products to market, within a framework of prudent fiscal management of costs within budget which saw the completion of two new suncare products.

- **Placement and Entitlement Issue to underpin growth objectives:**

The Company completed the first phase of its capital raising initiative announced in June through the Placement of 6,000,000 shares and 1,500,000 options raising \$150,000. The second phase of the capital raising initiative being a fully underwritten non-renounceable entitlement offer to existing shareholders raising \$1.075 million (before costs) is currently underway with completion on 8 August.

**Skin Elements Executive Chairman Mr Peter Malone noted “ The Company's range of new skincare products are meeting with increasing customer success as the Company moves to international sales”.**

Natural Science by Skin Elements

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### **About Skin Elements**

Skin Elements is an Australian owned and operated 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, PapayActivs natural therapeutics, SknLife natural 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>

Natural Science by Skin Elements

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## 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

<b>Name of entity</b>		
Skin Elements Limited		
<b>ABN</b>		<b>Quarter ended ("current quarter")</b>
90 608 047 794		30 June 2018

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	287	844
1.2	Payments for		
	(a) research and development ( <b>note 4</b> )	(177)	(1,028)
	(b) product manufacturing and operating costs	(3)	(304)
	(c) advertising and marketing	(18)	(80)
	(d) leased assets	(32)	(101)
	(e) staff costs	(140)	(425)
	(f) administration and corporate costs	(79)	(384)
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	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(162)</b>	<b>(1,281)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see <b>note 5</b> )	-	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(212)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	150	150
3.2	Proceeds from issue of convertible notes	33	132
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 (12 months) \$A'000
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>183</b>	<b>282</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	175	1,407
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(162)	(1,281)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(212)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	183	282
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>196</b>	<b>196</b>

<b>5.</b>	<b>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</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	196	175
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>196</b>	<b>175</b>

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	-
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)		Nil
(No cash payment made in this quarter)		

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	(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	
Office rent – sublease (calculated as the cost of the head lease).		

8.	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end</b> <b>\$A'000</b>	<b>Amount drawn at quarter end</b> <b>\$A'000</b>
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other – Convertible Note Facility (not drawn)	400	-
8.4	<p>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.</p> <p>The Company previously entered into a convertible note facility with Boston Technology Management Pty Ltd and Blackridge Group Pty Ltd to provide up to \$400,000 in working capital. The Company has not drawn any funds under this facility, does not anticipate using this facility in the next quarter, and has not incurred any costs in relation to this facility.</p> <p>The Company has also announced a fully underwritten non renounceable entitlement offer to existing shareholders raising \$1.075 million (before costs). The issue will be closed on 6 August with new securities issued on 8 August.</p>		

9.	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Research and development	(200)
9.2	Product manufacturing and operating costs	(40)
9.3	Advertising and marketing	(52)
9.4	Leased assets	(35)
9.5	Staff costs	(60)
9.6	Administration and corporate costs	(100)
9.7	Other (provide details if material)	-
9.8	<b>Total estimated cash outflows</b>	<b>(487)</b>

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: 31 July 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 year ended 30 June 2018.