



30 April 2019

Quarterly Activity Report - Period ending 31 March 2019

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 March 2019.

Skin Elements enters Chinese skincare market

During the quarter, Skin Elements entered into a binding term sheet (Term Sheet) with Henan province-based health and skin care distribution group, Henan Huatuo Health Management Co, Ltd (HHHM) for a \$2.4 million strategic investment and the execution of a major sales and distribution agreement for up to \$20 million of its skin care product range for the Chinese skin care market.

The Company has received the first payment of \$300,000, for its opening order pursuant to its Term Sheet with HHHM. A further \$200,000 was also received as part of the first tranche of the proposed \$2.4 million strategic investment in Skin Elements by HHHM which is subject to shareholder approval.

The Company also continues to negotiate sales into its existing online and distributor channels and new key international markets. It is also constantly reviewing its cost structures and working capital requirements to be able to deliver the increased production of its natural skincare product range to fulfil the sales growth.

Skin Elements Executive Chairman Mr Peter Malone said;

"The agreement with HHHM is our first large scale distribution transaction in our key targeted global markets, and on delivery of the key terms, it is expected will provide a strong production platform and clear opportunity to expedite other potential global opportunities."

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, PapayaActivs natural therapeutics, Complete Esscience 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>



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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

Name of entity		
Skin Elements Limited		
ABN		Quarter ended ("current quarter")
90 608 047 794		31 March 2019

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	441	661
1.2	Payments for		
	(a) research and development (note 4)	(41)	(705)
	(b) product manufacturing and operating costs	(116)	(275)
	(c) advertising and marketing	(67)	(299)
	(d) leased assets	(22)	(81)
	(e) staff costs	(192)	(655)
	(f) administration costs	(12)	(130)
	(g) corporate costs	(39)	(339)
1.3	Dividends received	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(8)	(11)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	491
1.8	Other	-	-
1.9	Net cash from / (used in) operating activities	(85)	(1,343)

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)	-	-
	(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	-	1,407
3.2	Proceeds from issue of convertible notes	200	200
3.3	Proceeds from exercise of share options		-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(130)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
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	200	1,477

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	215	196
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(85)	(1,343)
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)	200	1,477
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	330	330

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	330	215
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)	330	215

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	
Directors remuneration (per the service agreements)		(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	-
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	

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	-	-
8.2	Credit standby arrangements	-	-
8.3	Other		- -
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	(10)
9.2	Product manufacturing and operating costs	(340)
9.3	Advertising and marketing	(122)
9.4	Leased assets	(48)
9.5	Staff costs	(93)
9.6	Administration costs	(10)
9.7	Corporate and compliance costs	(83)
9.8	Total estimated cash outflows	(706)

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)

Date: 30 April 2019

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.