



**31 October 2019**

## **Quarterly Activity Report - Period ending 30 September 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 30 September 2019.

### **Expanded Product Range in Production**

During the quarter, the Company commenced production of its expanded unique Soleo Organics sunscreen range, natural PapayaActivs therapeutic range and Complete Esscience pawpaw based natural skincare range, and the first five products from the Elizabeth Jane Natural Cosmetics range, for global market launch over the 2019/20 year.

The expanded range of over 40 natural sunscreen and skincare product SKUs is a result of its strong research and development focus over the previous year with Skin Elements receiving in the quarter \$500,000 advance on the Federal Government's 2019 R&D Tax Rebate and anticipates receiving in excess of \$150,000 of the rebate balance in the current quarter.

### **Global Opportunity**

Skin Elements continues to maintain its focus on developing sales in global markets including a major retail pharmacy chain in the United Kingdom, the development of an online sales channel in the USA, and a skincare distributor in Europe.

The Company also retained a core focus on balance sheet management and continues to review cost structures and working capital requirements to ensure an appropriate level of capital is available to support the increased production demand for its natural skincare product range required to fulfil sales growth.

### **Capital Raising**

Skin Elements has foreshadowed that it will undertake a fully underwritten non renounceable rights issue to raise approximately \$1 million working capital to support production of the Company's products, with details expected to be announced in the current quarter.

Natural Science by Skin Elements

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[www.mcarthurskincare.com](http://www.mcarthurskincare.com)  
[www.soleoorganics.com](http://www.soleoorganics.com)  
[www.skinelementslimited.com](http://www.skinelementslimited.com)

### **Chinese distribution Agreement not proceeding**

As set out in the ASX Announcement on 9 October 2019, Skin Elements has advised that it will not be proceeding with the Term Sheet Agreement with Henan Huatuo Health Management Co, Ltd (HHHM) and will finalise the settlement of the \$200,000 convertible note in the current quarter.

### **Commenting on the quarter, Skin Elements Executive Chairman Mr Peter Malone said;**

"Skin Elements ongoing focus on prudent cashflow management helps ensure that the Company is able to build on the solid foundation of proprietary natural skincare technology to delivery production and revenue cashflows in the coming quarters."

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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

<b>Name of entity</b>		
Skin Elements Limited		
<b>ABN</b>		<b>Quarter ended ("current quarter")</b>
90 608 047 794		30 September 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	50	50
1.2	Payments for		
	(a) research and development ( <b>note 4</b> )	(220)	(220)
	(b) product manufacturing and operating costs	(10)	(10)
	(c) advertising and marketing	(26)	(26)
	(d) leased assets	(26)	(26)
	(e) staff costs	(54)	(54)
	(f) administration costs	(49)	(49)
	(g) corporate costs	(106)	(106)
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	-	-
1.8	Other	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(441)</b>	<b>(441)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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> )	-	-
	(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>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	134	134
3.2	Proceeds from issue of convertible notes	-	-
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 (R&D Funding)	500	500
3.6	Repayment of borrowings	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>634</b>	<b>634</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	116	116
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(441)	(441)
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)	634	634
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>309</b>	<b>309</b>

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	309	309
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>309</b>	<b>309</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	(44)
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	
Executive and Non Executive Directors remuneration (per service agreements) (\$44,000)		

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.		
R&D Tax Rebate: Subsidiary SE Operations Pty Ltd has lodged R&D Tax Rebate claim of \$650,000 of which \$500,000 has been received in the quarter under a R&D financing arrangement with the balance expected to be received in December 2019 quarter.			

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	(45)
9.2	Product manufacturing and operating costs	(125)
9.3	Advertising and marketing	(25)
9.4	Leased assets	(25)
9.5	Staff costs	(55)
9.6	Administration costs	(30)
9.7	Corporate Costs	(75)
9.8	Total estimated cash outflows	(380)

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 October 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.