



31 January 2020

Quarterly Activity Report - Period ending 31 December 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 December 2019.

Global Opportunity

Skin Elements continues to maintain its focus on developing sales in global markets including major retail pharmacy and health chains in the United Kingdom, the expansion of its online sales portal for the USA market, and the support to its distributors in Europe with further initial orders and deposits being received.

Expanded Product Range in Production

The development and production of its expanded Soleo Organics natural sunscreen range, its natural PapayaActivs pawpaw based skincare range continued during the quarter, with global market launch expected over 2020. The first five products from the Elizabeth Jane Natural Cosmetics range is expected over the second half of 2020.

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 announced on 21 January 2020, a fully underwritten non renounceable rights issue to raise approximately \$1 million working capital to support production of the Company's products. Full details including a prospectus and entitlement forms will be sent to eligible shareholders shortly with the offer completing in February 2020.

Natural Science by Skin Elements

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Chinese distribution Agreement completed

As previously announced to the market on 29 November 2019, Skin Elements has settled the \$200,000 convertible note under the Term Sheet Agreement with Henan Huatuo Health Management Co, Ltd (HHHM) through the issue of the convertible note to third parties on similar terms.

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

"Skin Elements, through prudent cashflow management, is now well positioned to continue to deliver production of its key all natural sunscreen and skincare products, and improving 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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+Rule 4.7B

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

SKIN ELEMENTS LIMITED (SKN)

ABN

90 608 047 794

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	200	250
1.2 Payments for		
(a) research and development	(327)	(547)
(b) product manufacturing and operating	(50)	(60)
(c) advertising and marketing	(20)	(46)
(d) leased assets	(29)	(55)
(e) staff costs	(70)	(124)
(f) administration	(22)	(71)
(g) corporate costs	(54)	(160)
1.3 Dividends received (see note 3)	-	-
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	689	689
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	317	(124)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
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 equity securities (excluding convertible debt securities)	-	134
3.2	Proceeds from issue of convertible debt securities	200	200
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	500
3.6	Repayment of borrowings	(700)	(700)
3.7	Transaction costs related to loans and borrowings	(14)	(14)
3.8	Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(514)	(120)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	309	116
4.2	Net cash from / (used in) operating activities (item 1.9 above)	317	(124)
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)	(514)	120
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	112	112

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	112	309
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)	112	309

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
(66)
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities		
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	270	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	1,004	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** 1,274

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Production Financing Facility – \$270k, State Securities Pty Ltd, 15%pa interest, repayable 6 months
Fully underwritten entitlement issue – \$1,004k February 2020

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(194)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	112
8.3 Unused finance facilities available at quarter end (Item 7.5)	1,274
8.4 Total available funding (Item 8.2 + Item 8.3)	1,386
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	7.1

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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.

31 January 2020

Date:

By the Board of Directors

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.