



30 April 2024

Quarterly Activity Report - Period ending 31 March 2024

Australian natural biotechnology company Skin Elements Limited (ASX: SKN) (Skin Elements, the Company) is pleased to present its Quarterly Activity Report for the period ending 31 March 2024.

Quarterly Highlights

- **Phase 2 testing of ECO-Nurture sustainable, horticultural plant bio stimulant continued – a full season spray program trial of ECO-Nurture on 10 kiwi fruit farms in New Zealand was completed**
- **These trials follow Crop Protection Standards as set by Zespri International, the world's largest marketer of kiwifruit**
- **Initial independent laboratory test results show Eco Nurture is an effective replacement for copper and chemical fungicides against the PSA bacteria which has a major negative effect on kiwifruit crops**
- **Test marketing of the SuprCuvr disinfectant product range progressed with SuprCuvr delivered into health and public transport sectors for assessment and qualification purposes**
- **Large-scale distribution opportunity for Soléo Organics sunscreen in the retail pharmacy sector continued to be advanced in the Quarter**
- **Company commenced the use of state of the art UVA/UVB face skin testing technology at its West Perth lab to assist customers make informed skin care decisions**
- **R&D Rebate advance of \$112k received in the quarter resulting from the eligible R&D expenditure for FY2024.**

SE Formula™ – the Cornerstone of our Business

The SE Formula has been developed by Skin Elements over the last 15 years and is the core of every natural product we develop. Products with the SE Formula™ have scientifically proven efficacy while using only natural and plant-based ingredients and have come to be trusted by consumers.

During the quarter, Skin Elements continued to invest in the research and development, and commercialisation of its proprietary plant-based, high-performance SE Formula biotechnology across its product range.

To date, the Company has developed four core formulas, each with potential to provide a viable, efficacious alternatives to widely-used chemical based products in mass markets globally. These formulas form the basis of Skin Elements' product range - Soléo Organics, SuprCuvr, ECO-Nurture and PapayaActivs Therapeutics – and also underpin its value proposition.

Skin Elements has a three phase development process leading into commercial scale production and sales:

- Phase 1. Pure research and development to undertake investigations into natural organic ingredients and processes to prepare prototype formulations.
- Phase 2. Produce test batches and undertake product trials, test marketing and regulatory certifications.
- Phase 3. Negotiate distribution agreements and commence scale up production and launch into commercialisation.

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

“The Company continued to advance the execution of our formal three-phase approach to research and development, and commercialisation. Using our plant-based SE Formula, we currently have a portfolio of four underlying formulas which underpin our product range, and provide what the Company sees as major unrealised value. Our focus is on bringing large scale commercialisation opportunities to fruition, either at the product or formula level, and we look forward to sharing details of material progress and outcomes in the months ahead. The Company continues to carefully manage its operational cashflows through reduced corporate and operating costs as it seeks to transition to achieving commercial scale outcomes. Our commitment to research and development enables the Company to qualify for the Research and Development Tax Rebate for the 2024 year, and during the quarter we received an advance on our R&D Tax Rebate from Radium Capital.”

ECO-Nurture – Phase 2 Crop Protection Trials

ECO-Nurture is a sustainable, horticultural-specific plant bio stimulant product developed from the plant-based SE Formula biotechnology research and development program.

Skin Elements is pursuing opportunities for ECO-Nurture as an effective alternative to chemical-based agricultural sprays currently used in crop disease protection globally. This represents a major opportunity in the massive agriscience market.

The Company is undertaking extensive testing of ECO-Nurture in a live agricultural setting, using the kiwifruit sector in New Zealand as a test market. This program continued during the quarter, with a full-season spray-program trial of ECO-Nurture on 10 kiwi fruit farms in NZ being completed.

This trial is conducted under Zespri Crop Protection Standards Justified Approval (JA) protocols and the results are expected later in the season after harvest. Headquartered in New Zealand, Zespri is the world’s largest marketer of kiwifruit with over \$4 billion in sales.

To date, the trials have demonstrated that ECO-Nurture supports fruit quality, yield quantity, the cosmetic look of the fruit and zero residual toxicity. Initial outcomes of independent laboratory testing show Eco Nurture is effective against the PSA bacteria, which has negatively impacted the kiwifruit industry for the past ten years.

With the initial success of its trial in the kiwifruit sector, the Company is assessing opportunities in other horticulture sectors, including testing on grapes and other fruit and vegetable crops. Subject to the successful execution of its ECO-Nurture business plans, there may be a substantial market opportunity for ECO-Nurture in the fast growing and multi-billion dollar horticulture bio-stimulant market, and pursuing and maximising this opportunity is a core focus for Skin Elements.

SuprCuvr - Phase 2 Market Testing

SuprCuvr is an independent laboratory tested TGA registered hospital-grade disinfectant made from a 100% plant-based formula. It combines the world’s highest level of efficacy against viral

and bacterial infection with a 100% plant-based organic input certified formula to present a significant market opportunity for a chemical-free disinfectant in large-scale settings such as food manufacturing, hospitality retailing businesses, public transport and health.

Skin Elements has continued to focus on test market assessment and qualification of SuprCuvr in public health and transport sectors. These represent large-scale, commercial opportunities for SuprCuvr to be utilised as a disinfectant, replacing widely used chemical-based products.

The Company is currently pursuing a potential opportunity in the public transport sector, in suburban train carriages and stations in Melbourne, Australia. It will advise of any material progress on this.

Soléo Organics – Phase 3 Commercialisation Negotiations

Soléo Organics is an award-winning, natural and organic sunscreen formulation, providing a highly effective, high performance chemical-free sunscreen. It was the first application borne out of Skin Elements' SE Formula research and development program.

Distribution

Negotiations continued to progress during the quarter with a leading health and wellbeing retail group in the United Kingdom for distribution of the Soléo Organics sunscreen formulation under white label.

As part of this process, independent laboratory testing designed to confirm key performance specifications for the UK market commenced and is ongoing. This includes testing the Soléo Organics sunscreen formulation for both an SPF50 and 5-Star rating, which has previously been unheard of for a natural organic sunscreen formulation.

Skin Elements will update the market on any material progress on these, or any other, sales or distribution opportunities.

Ultra-Violet Radiation Testing (UVA / UVB)

Skin Elements have commenced using state of the art ultra-violet (UVA/UVB) face analysis technology to record and measure eight skin surface and sub-surface skin conditions at its West Perth lab. The Company's staff are able to assist customers to assess and identify skin damage from sun and environmental factors and provide personalised recommendations on preventing further damage using the Soleo Organics sunscreen range.



Ultra-violet face analysis at Skin Elements' West Perth office.

PapayaActives Therapeutics

During the quarter, Skin Elements continued to progress Phase 2 improvements in the PapayaActives formulations and expansion of the product range.

PapayaActives combines a high concentration of natural pawpaw extract with other active natural ingredients to help relieve the symptoms of skin conditions, like psoriasis, rashes, eczema, assist in healing of minor burns and wounds, and relieve mild muscle, joint and arthritic pain. PapayaActives is listed on the TGAs Australian Register of Therapeutic Goods.

The Company has a target date of this July to complete the Phase 2 (product formulation improvements) with product expected to go into Phase 3 test market launch during September quarter.

Corporate

Research & Development Rebate and Radium Facility

The Company's commitment to the continued research and development of its natural SE Formula Biotechnology sees it eligible for the Federal Government's R&D Rebate for the 2024 financial year with R&D Rebate calculation of \$933k as at 31 March 2024.

During the quarter, Skin Elements received an advance of \$112k under the R&D Rebate advance facility provided by Radium Capital.

LDA Capital equity funding facility

As previously announced to the market SKN had an equity funding facility agreement with LDA Capital, under which LDA Capital has agreed to provide Skin Elements with committed equity capital over a period of 36 months. This facility concluded on 1 March 2024 with no drawdown made by the Company under this facility.

Summary of Operating Cashflows

The Company's research and development focus is reflected in the operating cashflows for the quarter, which included customer receipts of \$75k, and operational cash outflows included \$151k invested in product manufacturing, staff and research and development, and marketing, administration and corporate finance costs of \$89k, resulting in net cash outflows from operating activities of \$165k for the quarter and cash on hand of \$157k. The Company continues to manage operational cashflows in line with operational and financing cash inflows.

Cashflows from financing activities during the quarter included receipt of further 2024 Radium R&D Tax Rebate advance of \$112k.

As noted in the Half Year Report, the Board intends, subject to shareholder approval, to issue equity securities to Directors for executive services and directors' services in accordance with services agreements and therefore no payments were paid during the quarter to entities associated with the Directors.

This announcement has been approved by the Board of Directors of Skin Elements Limited.

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About Skin Elements

Skin Elements (ASX: SKN) is an award winning Australian owned and operated ASX-listed natural biotechnology company focused on the development of its SE Formula Biotechnology. Skin Elements innovative approach to research and development of plant-based and organic sourced ingredients has enabled the creation of a portfolio of products that have global applications. Its flagship products include the SuprCuvr TGA-registered, hospital-grade plant-based disinfectant, ECO-Nurture plant bio-stimulant, Invisi Shield alcohol free natural sanitiser, Soléo Organics natural and organic sunscreen, PapayaActivs natural therapeutics skincare and Elizabeth Jane Natural Cosmetics brand.

Further information is available via the Company website: <http://skinelementslimited.com> and on the Company online store: www.sknlife.com.au.



Appendix 4C

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

Name of entity

SKIN ELEMENTS LIMITED ([ASX:SKN](#))

ABN

90 608 047 794

Quarter ended (Current quarter)

31 March 2024

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	75	137
1.2 Payments for:	-	-
(a) research and development	(29)	(527)
(b) product manufacturing and operating costs	(8)	(65)
(c) advertising and marketing	(2)	(47)
(d) leased assets	-	-
(e) staff costs	(114)	(347)
(f) administration costs	(10)	(187)
(g) corporate costs	(75)	(124)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid	(2)	(76)
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	-	1,130
1.8 Other: (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(165)	(102)
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	-	-

Consolidated statement of cash flows	Current Quarter \$A'000	Year to date (9 Months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	200
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(17)	(35)
3.5 Proceeds from borrowings	112	846
3.6 Repayment of borrowings	(2)	(1,110)
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	93	(99)
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	229	358
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(165)	(102)
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)	93	(99)
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	157	157
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	157	157
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)	157	157
6. Payments to related parties of the entity and their associates	Current quarter \$A'000	
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	-	
Note: if any amounts are shown in items 6.1 and 6.2 your quarterly activity report must include a description of, and an explanation for, such payments		
Included in the operational cash outflows for the quarter is \$65K paid to entities associated with the Directors for executive services and directors' services in accordance with services agreements, details of which have been disclosed in the Company's 2023 Annual Report.		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify): R&D Rebate Advance Facility	933	579
7.4 Total financing facilities	933	579

7.5 Unused financing facilities available at quarter end	354
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.	

■ **R&D Rebate Advance Facility Terms and conditions:**

Terms	Up to 18 months
Total facility	\$0.93 million based on eligible R&D spend.
Drawdown	As at 31 March 2023, \$579K has been drawn down with balance available of \$354K
Security	The facility is secured against the R&D Tax Rebate based on eligible R&D spend. The facility and interest is repaid on receipt of the R&D Rebate.
Interest Rate	14% p.a. pro rata.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(166)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	157
8.3 Unused finance facilities available at quarter end (Item 7.5)	354
8.4 Total available funding (Item 8.2 + Item 8.3)	511
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3.08

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

- 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:

N/A

- 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:

N/A

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

Answer:

N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: Tuesday, 30 April 2024

Authorised by: The Board
(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 – e.g. 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.