

**SKIN ELEMENTS LIMITED**

ABN 90 608 047 794

**and its controlled entities**



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# Interim Report

# December 2023

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## Corporate directory

### Current Directors

Peter Malone	<i>Executive Chairman</i>
Filippo (Phil) Giglia	<i>Non-Executive Director</i>
Stuart Usher	<i>Non-Executive Director</i>

### Company Secretary

Stuart Usher

### Registered Office

*Street:* 1242 Hay Street  
West Perth WA 6005

*Postal:* 1242 Hay Street  
WEST PERTH WA 6005

*Telephone:* +61 (0)8 6311 1900

*Facsimile:* +61 (0)8 6311 1999

*Email:* info@skinelements.com

*Website:* www.skinelementslimited.com

### Auditors

#### *BDO Audit (WA) Pty Ltd*

*Street:* Mia Yellagonga Tower 2  
5 Spring Street  
Perth WA 6000

*Telephone:* +61 (0)8 6382 4600

*Facsimile:* +61 (0)8 6382 4601

*Website:* www.bdo.com.au

### Share Registry

#### *Link Market Services Limited*

*Street:* Level 12, QV1 Building, 250 St Georges Terrace  
Perth WA 6000

*Telephone:* 1300 554 474 (within Australia)  
+61 1300 554 474 (International)

*Facsimile:* +61 (0)8 6370 4203

*Email:* registrars@linkmarketservices.com.au

*Website:* www.linkmarketservices.com.au

### Securities Exchange

#### *Australian Securities Exchange*

*Street:* Level 40, Central Park, 152-158 St Georges Terrace  
Perth WA 6000

*Telephone:* 131 ASX (131 279) (within Australia)

*Telephone:* +61 (0)2 9338 0000

*Facsimile:* +61 (0)2 9227 0885

*Website:* www.asx.com.au

*ASX Code:* SKN



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## Results for announcement to the market

for the half-year ended 31 December 2023

<b>1. REPORTING PERIOD</b> (item 1)				
	Report for the period ended:	31 December 2023		
	Previous corresponding period is half-year ended:	31 December 2022		
<b>2. RESULTS FOR ANNOUNCEMENT TO THE MARKET</b>				
		<b>Movement</b>	<b>Percentage %</b>	<b>Amount \$</b>
	Revenues from ordinary activities (item 2.1)	Decrease	(11.95) to	84,576
	Loss from ordinary activities after tax attributable to members (item 2.2)	Decrease in loss	(58.12) to	(1,210,100)
	Loss after tax attributable to members (item 2.3)	Decrease in loss	(58.12) to	(1,210,100)
<b>2.1. Dividends</b> (items 2.4 and 5)			<b>Amount per Security ¢</b>	<b>Franked amount per security %</b>
	Interim dividend		nil	n/a
	Final dividend		nil	n/a
	Record date for determining entitlements to the dividend (item 2.5)	n/a		
<b>2.2. Brief explanation of any of the figures reported above necessary to enable the figures to be understood</b> (item 2.6):		The revenue and losses for the period reflect continued focus on the development and commercialisation of the Company's SE Formula technology brands and applications.		
<b>3. DIVIDENDS</b> (item 6) <b>AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS</b>				
Nil.				
<b>3.1. Details of dividend or distribution reinvestment plans in operation are described below</b> (item 6):		Not applicable		
<b>4. RATIOS</b>				
		<b>6 months to 31 December 2023</b>	<b>6 months to 31 December 2022</b>	
		<b>\$</b>	<b>\$</b>	
<b>4.1. Financial Information relating to 4.2:</b>				
Earnings for the period attributable to owners of the parent		(1,210,100)	(2,889,542)	
Net asset (deficiency)		(287,041)	8,206,882	
Less: Intangible assets		-	(7,690,030)	
Net tangible (liabilities)/assets		(287,041)	516,852	
		<b>Current Period No.</b>	<b>Previous Corresponding Period No.</b>	
Fully paid ordinary shares		563,986,095	440,634,897	
		<b>Current Period ¢</b>	<b>Previous Corresponding Period ¢</b>	
<b>4.2. Net tangible (liability)/assets backing per share (cents)</b> (item 3):		(0.051)	0.117	

**Results for announcement to the market**

for the half-year ended 31 December 2023

**5. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD:** *(item 4)***5.1. Control gained over entities**

 Name of entities <i>(item 4.1)</i>	Nil
 Date(s) of gain of control <i>(item 4.2)</i>	n/a

**5.2. Loss of control of entities**

 Name of entities <i>(item 4.1)</i>	Nil
 Date(s) of loss of control <i>(item 4.2)</i>	n/a

**5.3.** Contribution to consolidated loss from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was gained / lost *(item 4.3)*. n/a

**5.4.** Loss from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period *(item 4.3)* n/a

**6. DETAILS OF ASSOCIATES AND JOINT VENTURES:** *(item 7)*

 Name of entities <i>(item 7)</i>	Nil
 Percentage holding in each of these entities <i>(item 7)</i>	N/A

 Aggregate share of profits (losses) of these entities <i>(item 7)</i>		6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
		N/A	N/A

**7.** The financial information provided in the Appendix 4D is based on the interim final report (attached), which has been prepared in accordance with Australian Accounting Standards.

**8.** The report is based on accounts which have been reviewed by the Company's independent auditor *(item 9)*.

## Directors' report

Your directors present their report on the Group, consisting of Skin Elements Limited (**Skin Elements** or **the Company**) and its controlled entities (collectively **the Group**), for the half-year ended 31 December 2023.

Skin Elements is listed on the Australian Securities Exchange (ASX: SKN).

### 1. Directors

The names of Directors in office at any time during or since the end of the half-year are:

 Peter Malone	Executive Chairman and Chief Executive Officer
 Filippo (Phil) Giglia	Independent Non-Executive Director
 Stuart Usher	Independent Non-Executive Director

(**the Directors** or **the Board**)

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

### 2. Operating and financial review

#### 2.1. Nature of Operations and Principal Activities

Skin Elements is a researcher and developer of the innovative proprietary SE Formula™ biotechnology. This plant-based and organic sourced SE Formula™ is used as a base in the Company's proprietary flagship products including 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.

#### 2.2. Operations Review

##### 2.2.1. Development of SE Formula™

The SE Formula™ has been developed by Skin Elements over the last 15 years and is the core of every natural product developed by Skin Elements. Products with the SE Formula™ have scientifically proven as high performance while using only natural and plant-based ingredients.

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.

##### 2.2.2. Development of Eco Nurture Plant Bio-Stimulant

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

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.

During the period the Company continued to support phase 2 testing in New Zealand with ECO-Nurture spray program during the current season on 10 different kiwifruit orchards in North Island, New Zealand. This trial is closely monitored by Zespri, the world's largest marketer of kiwifruit and leaders in the research and development of kiwifruit varieties that are healthier, better tasting and more sustainable for the environment. The results of the trial are expected later in the season after harvest.

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.

Beyond the initial opportunity in kiwifruit, the Company is also 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.

##### 2.2.3. SuprCuvr - Development 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.



## Directors' report

During the period, the Company secured New Zealand Ministry for Primary Industries (MPI) approval for SuprCuvr use as a cleaner, sanitiser and disinfectant in premises processing all animal product for human consumption (except dairy) which paves the way for a new market opportunity in the food processing industry, where specialist cleaning services are required

Further to the initial test market assessment of SuprCuvr in public health and transport sectors, Skin Elements has provided test marketing sales of SuprCuvr for expanded scale assessment in the public transport sector particularly suburban train carriages and stations in Australia.

### 2.2.4. *Soleo Organics*

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.

During the period the Company continued negotiations with a leading health and wellbeing retail chain in the United Kingdom including investigations into large-scale manufacturing and distribution opportunities for Soléo Organics sunscreen formula white label ranges.

Independent laboratory testing of key performance specifications for the UK market commenced, with the initial phase of documentation, systems setup and due diligence underway.

Skin Elements participated in an exclusive Rolls Royce Strive for Perfection: Celebrating 20 years of Goodwood event held in London, on 6 October 2023.

Skin Elements was delighted to be a partner at the event and to promote its natural and organic Soléo Organics to a high net-worth audience with a focus on high-end, innovative and sustainable products.

### 2.2.5. *PapayaActivs*

PapayaActivs 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. PapayaActivs is listed on the TGAs Australian Register of Therapeutic Goods.

Skin Elements proceeded with phase 2 with improvements in the PapayaActivs formulations and expansion of the product range. The Company has a target date of this July to complete the Phase with product expected to go into Phase 3 test market launch during September quarter.

### 2.2.6. *Research and development (R&D) tax incentive grant income*

During the period, Skin Elements received R&D Rebate of \$1.13 million in relation to the eligible research and development spend in the 2023 financial year.

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 tax incentive* for the FY2024 with R&D Rebate calculation of \$614K as at 31 December 2023.

During the period, Skin Elements received an advance of \$467k under a R&D Rebate advance facility provided by Radium Capital in relation to the FY2024 eligible R&D expenditure.

### 2.2.7. *Placement raises \$200,000*

The Company announced on 23 October 2023 that it had undertaken a private placement to sophisticated investors raising \$200,000 (before costs). The Company issued 20,000,000 SKN fully paid ordinary shares (under the Company's ASX LR7.1A placement capacity) at \$0.01 each with one attaching SKNOD option exercisable at \$0.025 on or before 31 May 2026 (under the Company's ASX LR7.1 capacity) for each new share issued.

### 2.2.8. *LDA Capital \$20 million equity funding facility*

The Company has an equity funding facility agreement (Agreement) with LDA Capital, under which LDA Capital has agreed to provide Skin Elements with up to \$20 million in committed equity capital over a period of 36 months concluding on 1 March 2024 (ASX announcement, 6 April 2021).

The Agreement provides Skin Elements with access to equity capital to support its growth objectives for the business as required.

As part consideration for entering into Agreement, the Company issued to LDA Capital 26,000,000 unlisted options all expiring on 15 March 2024 which were initially recognised using a fair value assessment of \$604,000 as a prepayment (asset) and derivative liability. At balance date the fair value of the derivative liability has been assessed to \$nil due to the time value of money.

## Directors' report

The Company also has on issue to LDA Capital 25,500,000 shares ("Collateral Shares") for nil consideration. LDA Capital will hold these shares until such time that the Company issues the initial call notice. At that time, and subject to certain limitations set out in the POA, LDA Capital may sell collateral shares on market. Under the Agreement, unused Collateral Shares may be used for a subsequent call, bought back by the Company for nominal consideration or transferred to a trustee or nominee of the Company for nominal consideration.

In accordance with the Agreement the Company also paid a commitment fee of A\$300,000 to LDA Capital previous recognised in the accounts.

As at the date of this report the Company has not made a drawdown under this facility.

### 2.3. Financial Review

#### 2.3.1. Key profit and loss measures

	Movement (increased/ decreased)	Movement \$	6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
🌱 Revenues from ordinary activities	<i>decreased</i>	11,476	84,576	96,052
🌱 Loss from ordinary activities after tax	<i>decreased</i>	1,679,442	(1,210,100)	(2,889,542)
🌱 EBITDA Loss	<i>decreased</i>	387,337	(878,942)	(1,266,279)

#### 2.3.2. Key net asset measures

	Movement (increased/ decreased)	Movement \$	31 December 2023 \$	30 June 2023 \$
🌱 Cash and cash equivalents	<i>decreased</i>	129,141	229,291	358,432
🌱 Working capital deficit ( <i>excluding prepayments</i> )	<i>decreased</i>	891,661	(358,525)	533,136
🌱 Net tangible liabilities	<i>decreased</i>	891,844	(287,041)	604,803
🌱 Net liabilities	<i>decreased</i>	891,844	(287,041)	604,803

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the half-year of \$1,210,100 (31 December 2022: \$2,889,542 loss) and a net cash in-flow from operating activities of \$62,925 (31 December 2022: \$963,211 out-flow). As at 31 December 2023, the Group a working capital deficit of \$358,525 (30 June 2023: \$533,136 working capital).

The ability of the Group to continue as a going concern is dependent on the Group securing additional debt and/or equity funding and/or generating profits from its normal course of business.

These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors are confident that there will be sufficient funds for the Group to meet its obligations and liabilities and believe it is appropriate to prepare these accounts on a going concern basis for the following reasons.

- 🌱 Skin Elements is eligible for R&D Rebate tax incentive grant and has received \$1.13 million during the period in relation to eligible FY2023 R&D expenditure and accrued \$614K as at 31 December 2023 in relation to eligible R&D expenditure for the six months to that date.
- 🌱 Received \$467K under a R&D advance facility with Radium Capital.
- 🌱 The Board intends, subject to shareholder approval, to issue equity securities in satisfaction of amounts owed to Directors and Key Management of approximately \$671K.
- 🌱 The Company has a successful track record of raising working capital when required through the issue of equity securities.

The Directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

## Directors' report

Based on the cash flow forecasts and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group's history of raising capital to date, and the LDA Capital facilities the Directors are confident of the Group's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

### 2.4. Events Subsequent to Reporting Date

There are no significant after balance date events that are not covered in this Directors' Report or within the financial statements as disclosed in note 7 *Events subsequent to reporting date*.

### 2.5. Future Developments, Prospects, and Business Strategies

Likely developments in the operations, business strategies and prospects of the Group include:

-  The Company will undertake future capital raising through either equity placement facility, private placement or entitlement issue, and the consideration of other equity and debt proposals
-  The Company will continue to focus on development and commercialisation of its natural anti-microbial technology as set out in its review of operations.

Other likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report particularly given the early stage of the Company's commercial operations with its new expanded range of natural and organic products. The Directors believe that the inclusion of such information would be likely to be unreasonably prejudicial to the Group.

## 3. Auditor independence

The Company's auditor's, BDO Audit (WA) Pty Ltd's (**BDO**), independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the half-year ended 31 December 2023 has been received and can be found on page 7 and forms part of this Directors' report for the half-year ended 31 December 2023.

This Report of the Directors, is signed in accordance with a resolution of directors made pursuant to section 306(3) of the *Corporations Act 2001* (Cth).



**PETER MALONE**  
Executive Chairman

Dated this Thursday, 29 February 2024



Tel: +61 8 6382 4600  
Fax: +61 8 6382 4601  
www.bdo.com.au

Level 9  
Mia Yellagonga Tower 2  
5 Spring Street  
Perth, WA 6000  
PO Box 700 West Perth WA 6872  
Australia

**DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF SKIN ELEMENTS LIMITED**

As lead auditor for the review of Skin Elements Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Skin Elements Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', written over a light blue horizontal line.

**Glyn O'Brien**

**Director**

**BDO Audit (WA) Pty Ltd**

Perth

29 February 2024

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



**Condensed consolidated statement of profit or loss and other comprehensive income**

for the half-year ended 31 December 2023

	Note	6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
<i>Continuing operations</i>			
Revenue	1.1	84,576	96,052
Cost of sales		(44,294)	(61,378)
<b>Gross profit</b>		40,282	34,674
Other income	1.2	617,474	467,594
Administrative and other costs		(717,357)	(1,314,519)
Research and development costs		(814,318)	(546,862)
Selling and distribution costs		(8,070)	(110,253)
<b>Operating loss</b>		(881,989)	(1,469,366)
Interest and finance costs		(73,656)	(54,450)
Impairment expense	3.2.2	(254,455)	(527,784)
Put option agreement fees expensed	3.6.3	-	(837,942)
<b>Loss before tax</b>	2.1	(1,210,100)	(2,889,542)
Income tax benefit		-	-
<b>Net loss for the half-year</b>		(1,210,100)	(2,889,542)
<i>Other comprehensive income, net of income tax</i>			
<b>Other comprehensive income for the period, net of tax</b>		-	-
<b>Total comprehensive income attributable to members of the parent entity</b>		(1,210,100)	(2,889,542)
<i>Earnings per share:</i>			
Basic and diluted loss per share (cents per share)	10.4	¢ (0.22)	¢ (0.69)

*The condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.*

**Condensed consolidated statement of financial position**

as at 31 December 2023

	Note	31 December 2023 \$	30 June 2023 \$
<i>Current assets</i>			
Cash and cash equivalents	3.1	229,291	358,432
Trade and other receivables	3.2	223,092	1,172,336
Inventories	4.1	352,565	83,845
Other current assets	3.3.1	60,071	57,207
Financial assets	3.6.1	-	-
<b>Total current assets</b>		<b>865,019</b>	<b>1,671,820</b>
<i>Non-current assets</i>			
Right of use asset - property, plant, and equipment		11,413	14,460
Financial assets	3.6.1	-	-
Intangible assets	4.2	-	-
<b>Total non-current assets</b>		<b>11,413</b>	<b>14,460</b>
<b>Total assets</b>		<b>876,432</b>	<b>1,686,280</b>
<i>Current liabilities</i>			
Trade and other payables	3.4.1	1,148,650	1,063,725
Borrowings	3.5.1	14,823	17,752
Derivative liabilities	3.6.2	-	-
<b>Total current liabilities</b>		<b>1,163,473</b>	<b>1,081,477</b>
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>1,163,473</b>	<b>1,081,477</b>
<b>Net assets (deficiency)</b>		<b>(287,041)</b>	<b>604,803</b>
<i>Equity</i>			
Issued capital	5.1.1	24,444,454	24,244,454
Reserves	5.4	942,954	824,698
Accumulated losses		(25,674,449)	(24,464,349)
<b>Total equity</b>		<b>(287,041)</b>	<b>604,803</b>

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes.



**Condensed consolidated statement of changes in equity**

for the half-year ended 31 December 2023

	Note	Contributed equity \$	Accumulated losses \$	Share-based payment reserve \$	Total equity \$
<i>Balance at 1 July 2022</i>		22,871,096	(13,048,181)	229,094	10,052,009
Loss for the half-year attributable to the owners of the parent		-	(2,889,542)	-	(2,889,542)
Other comprehensive income for the half-year attributable to the owners of the parent		-	-	-	-
<b>Total comprehensive income for the half-year attributable to the owners of the parent</b>		-	(2,889,542)	-	(2,889,542)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the half-year ( <i>net of costs</i> )		769,707	-	-	769,707
Share-based payments during the half-year		-	-	274,708	274,708
<b>Balance at 31 December 2022</b>		23,640,803	(15,937,723)	503,802	8,206,882
<i>Balance at 1 July 2023</i>		24,244,454	(24,464,349)	824,698	604,803
Loss for the half-year attributable to the owners of the parent		-	(1,210,100)	-	(1,210,100)
Other comprehensive loss for the half-year attributable to the owners of the parent		-	-	-	-
<b>Total comprehensive loss for the half-year attributable to the owners of the parent</b>		-	(1,210,100)	-	(1,210,100)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the half-year ( <i>net of costs</i> )	5.1.1	200,000	-	-	200,000
Share-based payments during the half-year: <i>rights</i>	5.3.1	-	-	118,256	118,256
<b>Balance at 31 December 2023</b>		24,444,454	(25,674,449)	942,954	(287,041)

*The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.*

**Condensed consolidated statement of cash flows**

for the half-year ended 31 December 2023

Note	6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
<i>Cash flows from operating activities</i>		
Receipts from customers	61,306	95,074
Payments to suppliers and employees	(1,058,179)	(1,448,624)
Receipt of <i>Research and development tax incentive</i> grant income	1,129,934	444,789
Interest paid and facility fees	(73,656)	(54,450)
Interest received	3,520	-
<b>Net cash used in operating activities</b>	<b>62,925</b>	<b>(963,211)</b>
<i>Cash flows from investing activities</i>		
<b>Net cash used in investing activities</b>	<b>-</b>	<b>-</b>
<i>Cash flows from financing activities</i>		
Proceeds from issue of shares	200,000	750,000
Share issue costs	(17,886)	(56,721)
Proceeds of borrowings	733,633	-
Repayments of borrowings	(1,107,813)	-
<b>Net cash provided by financing activities</b>	<b>(192,066)</b>	<b>693,279</b>
<b>Net increase in cash and cash equivalents held</b>	<b>(129,141)</b>	<b>(269,932)</b>
Cash and cash equivalents at the beginning of the half-year	358,432	748,050
<b>Cash and cash equivalents at the end of the half-year</b>	<b>229,291</b>	<b>478,118</b>

*The condensed consolidated statement of cash flows is to be read in conjunction with the accompanying notes.*



## Notes to the consolidated financial statements

for the half-year ended 31 December 2023

In preparing the 2023 interim financial report, Skin Elements Limited has grouped notes into sections under three key categories:

 Section A: How the numbers are calculated.....	13
 Section B: Unrecognised items .....	23
 Section C: Other Information.....	24

Significant accounting policies specific to each note are included within that note. Accounting policies that are determined to be non-significant are not included in the financial statements.

The financial report is presented in Australian dollars, except where otherwise stated.

### Company details

The registered office of the Company is:

Street + Postal: 1242 Hay Street  
West Perth WA 6005  
Australia



## Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

## SECTION A. HOW THE NUMBERS ARE CALCULATED

This section provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the Group.

Note	1	Revenue and other income	Note	6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
<b>1.1</b>		<b>Revenue</b>			
		Sales to customers		84,576	96,052
				84,576	96,052
<b>1.2</b>		<b>Other Income</b>			
		Research and development tax incentive grant income		613,954	450,147
		Fair value adjustment of fee options	3.6.7	-	17,000
		Interest income		3,520	447
				617,474	467,594

Note	2	Expenses	Note	6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
<b>2.1</b>		<b>Expenses by nature</b>			
		Administration expenses	2.2	259,256	243,499
		Advertising and marketing expenses		8,070	110,253
		Amortisation	4.2	3,047	203,087
		Corporate expenses	2.3	113,849	114,253
		Employee benefits expense	2.4	351,815	757,130
		Impairment expense	3.2.2	254,455	527,784
		Occupancy costs		63,046	51,000
		Manufacturing, purchasing, and distribution costs		44,294	61,378
		Put Option Agreement fees expensed	3.6.3	-	837,942
		Research and development expenses		814,318	546,862
		<b>Total expenses by nature</b>		<b>1,912,150</b>	<b>3,453,188</b>
<b>2.1.1</b>		<b>Reconciliation to net profit or loss before tax</b>			
		Total revenue and other income		702,050	563,646
		Less: Total expenses by nature		(1,912,150)	(3,453,188)
		<b>Net loss before tax</b>		<b>(1,210,100)</b>	<b>(2,889,542)</b>

## Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note	2	Expenses (cont.)	Note	6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
<b>2.2</b>		<b>Administration expenses</b>			
		Accounting expenses		70,267	104,567
		External consulting fees		27,000	-
		Travel expenses		9	1,220
		Interest expenses and finance facility costs		73,656	54,450
		Other expenses		88,324	83,262
				259,256	243,499
<b>2.3</b>		<b>Corporate expenses</b>			
		ASX fees		34,468	32,059
		Audit expenses		55,507	37,828
		Legal expenses		6,522	32,415
		Share Registry and shareholder communications		17,352	11,951
				113,849	114,253
<b>2.4</b>		<b>Employee benefits expense</b>			
		Directors' fees		80,000	60,000
		Executive services contracts		119,891	106,814
		Wages and salaries – non-R&D		33,668	315,608
		Share-based performance rights: <i>amortisation</i>	2.4.1	118,256	274,708
				351,815	757,130

2.4.1 The Company has issued performance rights to Directors and Consultants which will convert into fully paid shares on achieving certain performance hurdles. These performance rights are recorded at fair value which is amortised over the vesting period (up to four years from date of issue) or derecognised, as detailed in note 11.2.2.

## Note 3 Financial assets and financial liabilities

3.1	Cash and cash equivalents	31 December 2023 \$	30 June 2023 \$
	Cash at bank	229,291	358,432
		229,291	358,432

## Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note 3 Financial assets and financial liabilities (cont.)				
<b>3.2</b>	<b>Trade and other receivables</b>	Note	31 December 2023 \$	30 June 2023 \$
<b>3.2.1</b>	<b>Current</b>			
	Trade receivables	3.2.2	42,548	1,074,847
	Less: Loss allowance	3.2.2	-	(527,784)
	Research and development tax incentive rebate receivable	3.2.3	613,954	1,129,934
	Less: R&D Rebate Advance Facility Terms	3.2.4	(467,000)	(538,251)
	Net Research and Development rebate receivable		146,954	591,683
	Other receivables		33,590	33,590
			223,092	1,172,336
<b>3.2.2</b>	In the previous year the Company had received an order from Pacific Health for SuprCuvr totalling \$1,055,568 which was produced and delivered into secured warehouse. Subsequently, due to the rapidly evolving market at that time and the launch of the newly developed SuprCuvr disinfectant range, the Company has revised the terms of the order with Pacific Health, including extended payment terms. Due to the uncertainty of the timing of payments under these new terms, as at 31 December 2023, the Company has agreed to the settlement of the debtors balance through the repurchase of the SuprCuvr inventory. The Company will continue to work with Pacific Health for the launch of SuprCuvr disinfectant into scale markets and will recognise sales revenue as product is delivered.			
<b>3.2.3</b>	The Group continued its development program during the half-year ended 31 December 2023 resulting in a claim for research and development tax incentive which has been included as a receivable at year end.			
<b>3.2.4</b>	During the half-year, the Group received advance funding (wholly or predominantly for working capital or research and development expenditures) on its expected annual R&D rebate from Radium Capital. Refer key terms below:			
	Amounts	For 31 December 2023: 09/23: \$229,000; 12/23: \$238,000.		
	Final Maturity Date	30 November 2023.		
	Repayment	Skin Elements has the option to repay earlier without penalties.		
	Interest Rate	14% - 15% per annum, with default rate of 18% if repayment is later than 30 November 2023.		
	Security	Secured against the R&D refund receivable from the ATO		
<b>3.3</b>	<b>Other assets</b>		31 December 2023 \$	30 June 2023 \$
<b>3.3.1</b>	<b>Current</b>			
	Prepayments – Raw materials		60,071	57,207
			60,071	57,207



## Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

**Note 3 Financial assets and financial liabilities (cont.)**

<b>3.4 Trade and other payables</b>	Note	31 December 2023 \$	30 June 2023 \$
<b>3.4.1 Current</b>			
<i>Unsecured</i>			
Trade payables		249,660	233,664
Key management personnel related		671,164	428,925
Sundry payables and accrued expenses		158,204	102,218
Net Goods and Services Tax (receivable) / payable		69,622	(1,082)
Commitment Fee payable	3.6.6	-	300,000
		<b>1,148,650</b>	<b>1,063,725</b>
<b>3.5 Borrowings</b>	Note	31 December 2023 \$	30 June 2023 \$
<b>3.5.1 Current</b>			
Leases – motor vehicle		14,823	17,752
		<b>14,823</b>	<b>17,752</b>
<b>3.6 Derivative assets and liabilities</b>		31 December 2023 \$	30 June 2023 \$
<b>3.6.1 Financial assets</b>			
Prepaid commitment fee – current		-	-
Prepaid commitment fee – non-current		-	-
	3.6.5	-	-
<b>3.6.2 Derivative liabilities</b>			
LDA Commitment fee liability – current		-	-
LDA Commitment fee liability – non-current		-	-
	3.6.7	-	-

## Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

### Note 3 Financial assets and financial liabilities (cont.)

#### 3.6 Derivative assets and liabilities (cont.)

##### 3.6.3 LDA Capital Agreement

In April 2021, the Company entered into a Put Option Agreement (**POA**) with LDA Capital Limited and LDA Capital LLC (together **LDA Capital**), a United States-based investment group, to provide the Company with up to A\$20 million in committed equity capital over the next 36 months. The Company controls the timing and maximum amount of the draw down under this facility. The Company has committed to an initial drawdown with the size to be determined by the Company.

*Key terms and conditions:*

- a. In accordance with the POA, as part consideration, the Company issued to LDA Capital 26,000,000 unlisted options all expiring on 15 March 2024 comprising:

- 10,000,000 unlisted options exercisable at A\$0.12
- 10,000,000 unlisted options exercisable at A\$0.15
- 4,000,000 unlisted options exercisable at A\$0.18
- 2,000,000 unlisted options exercisable at A\$0.22

These options were initially valued at \$604,000 using a Binomial options pricing model and classified as derivative liabilities. At 31 December 2023 a fair value remeasurement of options previously granted was undertaken (refer note 3.6.8 for the valuation inputs).

- b. On 18 May 2021, the Company issued to LDA Capital 27,500,000 shares (**Collateral Shares**) for nil consideration. LDA Capital will hold these shares until such time that the Company issues the initial call notice. At that time, and subject to certain limitations set out in the POA, LDA Capital may sell collateral shares on market. Under the POA, unused Collateral Shares may be used for a subsequent call, bought back by the Company for nominal consideration or transferred to a trustee or nominee of the Company for nominal consideration. During the previous year, 2,000,000 Collateral Shares were redeemed. LDA Capital holds 25,500,000 Collateral Shares at 31 December 2023 (30 June 2023: 25,500,000) which are included in Treasury Shares (note 5.1.2)
- c. Under the POA, the subscription price for the shares is set at 90% of the higher of the average VWAP of shares in the 30-trading day period after the issue of the capital call notice, and the minimum acceptable price notified to LDA Capital by the Company upon exercise of the put option. The VWAP calculation and the number of subscription shares is subject to adjustment as a result of certain events occurring including trading volumes falling below an agreed threshold level or a material adverse event occurring in relation to the Company.
- d. The Company was also required to pay a commitment fee of A\$400,000 to LDA Capital which is payable in cash in four equal instalments at closing of the Company's first four capital calls, which has been recognised as a liability. During the previous year, 2,000,000 collateral shares were redeemed by LDA Capital for the first instalment. In accordance with the POA, as no drawdown has occurred, the Company paid the balance of cash to LDA Capital in July 2023.
- e. As the timing of the drawdowns under the POA is uncertain, the Directors have taken a prudent view and expensed the remaining balance of the prepayment carrying value of \$nil.

The effect of the key terms gave rise to a derivative liability and prepaid asset held at fair value through profit and loss.

##### 3.6.4 Recognition and reduction in derivative liability and other payables

On entering the POA, the Company recognised a commitment fee payable of \$400,000, and fair value of 26,000,000 unlisted options, recognised as a derivative liability totalling \$604,000 determined using a Binomial options pricing model. Details of the assumptions used in the valuation of the options are summarised in note 3.6.8. The Company has not issued a Capital Call Notice under the POA to LDA Capital.

The derivative liability relating to the unlisted options issued to LDA Capital were revalued at year-end for the unexercised options. The remeasurement of the derivative liability resulted in a fair value gain of \$- (31 December 2022: \$17,000), refer to note 3.6.8.

**Notes to the condensed consolidated financial statements**  
 for the half-year ended 31 December 2023

**Note 3 Financial assets and financial liabilities (cont.)**

**3.6 Derivative assets and liabilities (cont.)**

	Note	6 months to 31 December 2023 \$	12 months to 30 June 2023 \$
<b>3.6.5 Movement in prepaid assets</b>			
<i>As at 1 July</i>		-	837,942
Amortisation of Commitment Fee recognised in transaction costs		-	(837,942)
<i>As at the end of the period</i>		-	-
<b>3.6.6 Movement in other payables</b>			
<i>As at 1 July</i>		300,000	300,000
Commitment Fee paid (cash)		(300,000)	
Collateral Shares allocated (2,000,000)		-	-
<i>As at the end of the period</i>		-	300,000
<b>3.6.7 Movement in derivative liabilities</b>		6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
<i>As at 1 July</i>		-	53,000
Remeasurement to fair value through profit or loss	3.6.8	-	(17,000)
<i>As at the end of the period</i>		-	36,000

**3.6.8 Fair value remeasurement of options previously granted**

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Grant date	1 March 2021	1 March 2021	1 March 2021	1 March 2021
Expiry date	15 March 2024	15 March 2024	15 March 2024	15 March 2024
Valuation date	30 June 2023	30 June 2023	30 June 2023	30 June 2023
Number of options	10,000,000	10,000,000	4,000,000	2,000,000
Share price on valuation date	\$0.008	\$0.008	\$0.008	\$0.008
Exercise price	\$0.12	\$0.15	\$0.18	\$0.22
Risk free interest rate	4.18%	4.18%	4.18%	4.18%
Volatility	124.0%	124.0%	124.0%	124.0%
Indicative Value per Option	\$nil	\$nil	\$nil	\$nil
Value per tranche	\$nil	\$nil	\$nil	\$nil

## Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note 4 Non-financial assets and financial liabilities		
<b>4.1 Inventories</b>	31 December 2023 \$	30 June 2023 \$
Finished goods	352,565	83,845
	352,565	83,845
<b>4.2 Intangible assets</b>	31 December 2023 \$	30 June 2023 \$
<i>SE Formula™</i>	9,859,296	9,859,296
Accumulated amortisation and impairment	(9,859,296)	(9,859,296)
	-	-
Website development costs	55,410	55,410
Accumulated amortisation and impairment	(55,410)	(55,410)
	-	-
<b>Total intangibles</b>	-	-

## 4.2.1 Key estimates

## a. Impairment

The Group assesses the impairment of intangible assets at each reporting date by evaluating conditions specific to the intangible asset that may lead to impairment of the assets recoverable amount in accordance with AASB 136. The assessment of impairment is based on the best estimate of future cash flows available at the time of preparing the report. However, facts and circumstances may come to light in later periods which may change this assessment if these facts had been known at the time.

In undertaking its impairment assessment for the current period, the Group has identified impairment indicators of:

- 📉 lower-than-expected operating performance; and
- 📉 decline of market capital below net assets at reporting date, for the intellectual property assets.

As a result, the Group performed an impairment test which resulted in an impairment of \$7,489,990 for the period and the recoverable value of the intangible for the current period was assessed as \$nil (June 2023: \$nil). This is based on its value-in-use discounted cash flow model due to limited history of sales and contracted sales to support positive cash inflows during the forecast period (i.e., 5 years) which cannot be reliably estimated. The Group has also determined that the recoverable value based on fair value less cost to sell cannot be determined at this point based on the same assumption.

The significant uncertainty on achieving sales and profit may be resolved at the point when the proposed commercialisation of the IP becomes successful and positive cash inflows can be supported by contracted sales. This may result in the reversal of impairment in the future.



**Notes to the condensed consolidated financial statements**  
 for the half-year ended 31 December 2023

<b>Note 5 Equity</b>						
<b>5.1 Issued capital</b>	Note		6 months to 31 December 2023 No.	12 months to 30 June 2023 No.	6 months to 31 December 2023 \$	12 months to 30 June 2023 \$
Fully paid ordinary shares			563,986,095	543,986,095	24,444,454	24,244,454
<b>5.1.1 Ordinary shares</b>			6 months to 31 December 2023 No.	12 months to 30 June 2023 No.	6 months to 31 December 2023 \$	12 months to 30 June 2023 \$
At the beginning of the period			543,986,095	407,727,266	24,244,454	22,871,096
<i>Shares issued during the period:</i>						
26.10.22 Consultancy fees	11.2.2b		-	1,216,075	-	71,376
26.10.22 LDA fees	11.2.2a		-	1,691,556	-	43,473
04.11.22 Placement			-	30,000,000	-	750,000
31.05.23 Entitlement issue			-	93,226,979	-	932,270
20.06.23 Shortfall placement			-	3,971,238	-	39,712
30.06.23 Underwriting fee	11.2.2a		-	6,152,981	-	61,530
Unplaced applications			-	-	-	26,120
01.11.23 Placement			20,000,000	-	200,000	-
Share issue transaction costs			-	-	-	(551,123)
At end of the period			563,986,095	543,986,095	24,444,454	24,244,454
<b>5.1.2 Treasury shares</b>	Note		6 months to 31 December 2023 No.	12 months to 30 June 2023 No.		
At beginning of the period			25,500,000	25,500,000		
At end of the period			25,500,000	25,500,000		



## Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note 5 Equity (cont.)						
5.2	Options	Note	6 months to 31 December 2023 No.	12 months to 30 June 2023 No.	6 months to 31 December 2023 \$	12 months to 30 June 2023 \$
	Options on issue		217,351,198	197,351,198	335,827	335,827
5.2.1	<i>Options movement during the period:</i>		6 months to 31 December 2023 No.	12 months to 30 June 2023 No.	6 months to 31 December 2023 \$	12 months to 30 June 2023 \$
	At the beginning of the period		197,351,198	26,000,000	335,827	-
	🌱 04.11.22 Issued free attaching to Placement shares		-	30,000,000	-	-
	🌱 17.02.23 Lead manager fee	5.2.2a	-	28,000,000	-	277,827
	🌱 31.05.23 Issued free attaching to Entitlement shares		-	93,226,979	-	-
	🌱 20.06.23 Issued free attaching to Shortfall shares		-	3,971,238	-	-
	🌱 30.06.23 Issued free attaching to underwriter fee shares	11.2.2a	-	6,152,981	-	-
	🌱 30.06.23 Lead manager fee	5.2.2b	-	10,000,000	-	58,000
	🌱 01.11.23 Issued free attaching to Placement shares		20,000,000	-	-	-
			-	-	-	-
	At end of the period		217,351,198	197,351,198	335,827	335,827
	<i>Comprising the following options:</i>					
	🌱 Unlisted					
	○ \$0.12 options exp. 15.03.24		10,000,000	10,000,000		
	○ \$0.15 options exp. 15.03.24		10,000,000	10,000,000		
	○ \$0.18 options exp. 15.03.24		4,000,000	4,000,000		
	○ \$0.22 options exp. 15.03.24		2,000,000	2,000,000		
	○ \$0.05 options exp. 31.10.25		58,000,000	58,000,000		
	🌱 Listed					
	○ \$0.025 options exp. 31.05.26		133,351,198	113,351,198		
			217,351,198	197,351,198		

## 5.2.2 Options issued as transaction costs, subsequent to 31 December 2022

- a. In connection with a placement, lead manager (EverBlu Capital Pty Ltd), received a 6% fee of total funds raised as well as 28,000,000 options, granted on the following terms:

Number under Option	Date of Expiry	Consideration	Exercise Price	Vesting Terms
28,000,000	31.10.2025	Nil	\$0.050	Vest immediately

The total value of the options was \$277,827.

- b. In connection with a placement, lead manager (708 Capital Pty Ltd) received a 6% fee of total funds raised as well as 10,000,000 options, granted on the following terms:

Number under Option	Date of Expiry	Consideration	Exercise Price	Vesting Terms
10,000,000	27.06.2025	Nil	\$0.025	Vest immediately

The total value of the options was \$58,000.

## Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note 5 Equity (cont.)					
<b>5.3 Performance rights</b>	Note	6 months to 31 December 2023 No.	12 months to 30 June 2023 No.	6 months to 31 December 2023 \$	12 months to 30 June 2023 \$
Performance rights		209,000,000	209,000,000	607,127	488,871
<b>5.3.1 Performance rights movement during the period:</b>		6 months to 31 December 2023 No.	12 months to 30 June 2023 No.	6 months to 31 December 2023 \$	12 months to 30 June 2023 \$
At the beginning of the period		209,000,000	209,000,000	488,871	229,094
Issued	11.2.2c	-	-	-	-
Amortisation of rights		-	-	118,256	437,794
Derecognition rights expense not achieved		-	-	-	(178,017)
At end of the period		209,000,000	209,000,000	607,127	488,871
<b>5.4 Reserves</b>				6 months to 31 December 2023 \$	12 months to 30 June 2023 \$
Share-based payment reserve				942,954	824,698
				942,954	824,698

**Notes to the condensed consolidated financial statements**

for the half-year ended 31 December 2023

**SECTION B. UNRECOGNISED ITEMS**

*This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.*

*In addition to the items and transactions disclosed below, there are also unrecognised tax amounts.*

**Note 6 Commitments****6.1 Capital commitments**

The Group does not have any capital commitments (30 June 2023: \$nil).

**Note 7 Events subsequent to reporting date**

There have been no matters or circumstances that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

**Note 8 Contingent liabilities**

There are no contingent liabilities as at 31 December 2023 (30 June 2023: Nil).



## Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

## SECTION C. OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

**Note 9 Related party transactions**

Contained within trade and other payables are the follows balances payable to related parties:

Entity	Nature of transactions	KMP	Payable Balance	
			31 December 2023 \$	30 June 2023 \$
Boston Corporate Pty Ltd	Service Fees	Peter Malone	170,155	59,737
Colosseum Securities Pty Ltd	Director's fee	Filippo (Phil) Giglia	92,472	37,472
Spitfire Corporate Advisory Pty Ltd	Director's fee	Stuart Usher	41,161	30,161
Geneva Partners Pty Ltd	Company secretary fees	Stuart Usher	8,250	15,081
Pooky Corp Pty Ltd	Director's fee	Lee Christensen	-	-
Boston Corporate Pty Ltd	Service Fees	Craig Piercy	204,910	179,176
Blackridge Pty Ltd	Service Fees	Leo Fung	157,103	104,428
<b>Total</b>			<b>674,051</b>	<b>426,055</b>

**Note 10 Earnings per share (EPS)**

Note		Note	6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
<b>10.1</b>	<b>Reconciliation of loss to profit or loss</b>			
	Loss for the half-year		(1,210,100)	(2,889,542)
	Loss used in the calculation of basic and diluted EPS		(1,210,100)	(2,889,542)
			6 months to 31 December 2023 No.	6 months to 31 December 2022 No.
<b>10.2</b>	<b>Weighted average number of ordinary shares outstanding during the half-year used in calculation of basic EPS</b>		550,616,530	418,063,699
	Weighted average number of dilutive equity instruments outstanding	10.5	N/A	N/A
<b>10.3</b>	<b>Weighted average number of ordinary shares outstanding during the half-year used in calculation of basic EPS</b>		550,616,530	418,063,699
			6 months to 31 December 2023 ¢	6 months to 31 December 2022 ¢
<b>10.4</b>	<b>Earnings per share</b>			
	Basic EPS (cents per share)	10.5	(0.22)	(0.69)
	Diluted EPS (cents per share)	10.5	N/A	N/A

**10.5** As at 31 December 2023 the Group has 217,351,198 unissued shares under options (31 December 2022: 56,000,000) and 209,000,000 performance shares on issue (31 December 2022: 209,000,000). The Group does not report diluted earnings per share on losses generated by the Group. During the half-year, the Group's unissued shares under option and performance shares were anti-dilutive.

## Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note	11	Share-based payments	Note	6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
<b>11.1</b>		<b>Share-based payments:</b>			
		Net recognised/derecognised in profit and loss (expenses/contras- expense)	11.2.2	118,256	274,708
		Recognised in equity (transaction costs): <i>Shares</i>	11.2.2a	-	43,473
		Recognised in net assets (payables)	11.2.2b	-	71,376
		<b>Gross share-based payments</b>		<b>118,256</b>	<b>389,557</b>

## 11.2 Share-based payment arrangements in effect during the half-year

## 11.2.2 Issued in prior period, remaining in effect

## a. Shares issued as transaction costs

- i. 26 October 2022: 1,691,556 ordinary shares issued at \$0.0257 per share for LDA fees.

## b. Shares issued to settle payables

- i. 26 October 2022: 1,216,075 ordinary shares issued at \$0.06 per share for corporate communication services.

## c. Director and Consultants Performance Rights (2022)

At the Company's AGM held on 26 April 2022, shareholder approval was obtained to issue performance rights that will convert into shares pursuant to the Equity Incentive Plan.

These performance rights are issued to Peter Malone, Executive Chairman, Filippo (Phil) Giglia and Lee Christensen, non-executive directors, and key management Craig Piercy and Leo Fung and have been valued and issued on terms as detailed below.

Class of Performance Right	Tranches of Performance Right	Performance Condition	Performance rights					Milestone Date	Expiry Date	Performance Condition Satisfied
			Peter Malone	Filippo (Phil) Giglia	No. Lee Christensen	Craig Piercy	Leo Fung			
A	N/A	The VWAP of the company's shares traded on ASX over 20 consecutive trading days on which the Company's shares are actually traded being equal to or greater than \$0.18 per share, and the holder continues to be engaged by the Company as an eligible Participant and performs their duties under that engagement up to and including 31.01.23	50,000,000	-	-	25,000,000	25,000,000	31.01.23	3 years from vesting date	No
B	1	The Company receiving revenue from product sales of \$25,000,000 after 1.01.22	12,500,000	2,500,000	500,000	-	-	31.12.27	3 years from vesting date	No
B	2	The Company receiving revenue from product sales of \$50,000,000 after 1.01.22	12,500,000	2,500,000	500,000	-	-	31.12.27	3 years from vesting date	No
B	3	The Company receiving revenue from product sales of \$75,000,000 after 1.01.22	12,500,000	2,500,000	500,000	-	-	31.12.27	3 years from vesting date	No
B	4	The Company receiving revenue from product sales of \$100,000,000 after 1.01.22	12,500,000	2,500,000	500,000	-	-	31.12.27	3 years from vesting date	No

## 11.3 Fair value of options granted in prior period, remaining in effect

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

## Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

## Note 12 Operating segments

## 12.1 Types of products and services by segment

## 12.1.1 Operations

This operating segment is involved in the designing and formulating natural, organic, health and wellness products.

## 12.2 Segment Financial Performance

## Half-Year ended 31 December 2023

## Revenue and other income

○ External sales

○ Other income

## Total segment revenue and other income

## Total group revenue and other income

## Segment profit/(loss) before income tax

○ Cost of sales

○ Administration expenses

○ Advertising and marketing expenses

○ Amortisation

○ Corporate expenses

○ Consultants' fees

○ Impairment

○ Occupancy costs

○ Put Option Agreement fees expensed

○ Research and development expenses

○ Share-based payments

## Segment profit/(loss) from continuing operations before tax

## Group loss before income tax

## Half-Year ended 31 December 2022

## Revenue and other income

○ External sales

○ Other income

## Total segment revenue and other income

## Total group revenue and other income

## Segment profit/(loss) before income tax

○ Cost of sales

○ Administration expenses

○ Advertising and marketing expenses

○ Amortisation

○ Corporate expenses

○ Consultants' fees

○ Impairment

○ Occupancy costs

○ Put Option Agreement fees expensed and impairment

○ Research and development expenses

○ Share-based payments

## Segment profit/(loss) from continuing operations before tax

## Group loss before income tax

	Operations \$	Corporate and administration \$	Total \$
<b>Half-Year ended 31 December 2023</b>			
<i>Revenue and other income</i>			
○ External sales	84,576	-	84,576
○ Other income	564,324	53,150	617,474
<b>Total segment revenue and other income</b>	<b>648,900</b>	<b>53,150</b>	<b>702,050</b>
<i>Total group revenue and other income</i>			<b>702,050</b>
<i>Segment profit/(loss) before income tax</i>			
○ Cost of sales	(44,294)	-	(44,294)
○ Administration expenses	(140,748)	(118,508)	(259,256)
○ Advertising and marketing expenses	(24,269)	16,199	(8,070)
○ Amortisation	(3,047)	-	(3,047)
○ Corporate expenses	(6091)	(107,758)	(113,849)
○ Consultants' fees	40,150	(273,709)	(233,559)
○ Impairment	(254,455)	-	(254,455)
○ Occupancy costs	(35,710)	(27,336)	(63,046)
○ Put Option Agreement fees expensed	-	-	-
○ Research and development expenses	(814,318)	-	(814,318)
○ Share-based payments	-	(118,256)	(118,256)
<b>Segment profit/(loss) from continuing operations before tax</b>	<b>(633,882)</b>	<b>(576,218)</b>	<b>(1,210,100)</b>
<i>Group loss before income tax</i>			<b>(1,210,100)</b>
<b>Half-Year ended 31 December 2022</b>			
<i>Revenue and other income</i>			
○ External sales	96,052	-	96,052
○ Other income	467,594	-	467,594
<b>Total segment revenue and other income</b>	<b>563,646</b>	<b>-</b>	<b>563,646</b>
<i>Total group revenue and other income</i>			<b>563,646</b>
<i>Segment profit/(loss) before income tax</i>			
○ Cost of sales	(61,378)	-	(61,378)
○ Administration expenses	(145,165)	(98,334)	(243,499)
○ Advertising and marketing expenses	(75,636)	(34,617)	(110,253)
○ Amortisation	(203,087)	-	(203,087)
○ Corporate expenses	-	(114,253)	(114,253)
○ Consultants' fees	(414,936)	(67,486)	(482,422)
○ Impairment	-	(527,784)	(527,784)
○ Occupancy costs	(30,000)	(21,000)	(51,000)
○ Put Option Agreement fees expensed and impairment	(837,942)	-	(837,942)
○ Research and development expenses	(546,862)	-	(546,862)
○ Share-based payments	-	(274,708)	(274,708)
<b>Segment profit/(loss) from continuing operations before tax</b>	<b>(1,751,360)</b>	<b>(1,138,182)</b>	<b>(2,889,542)</b>
<i>Group loss before income tax</i>			<b>(2,889,542)</b>

## Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

## Note 12 Operating segments (cont.)

## 12.3 Segment Financial Position

	Operations \$	Corporate and administration \$	Total \$
<b>As at 31 December 2023</b>			
Segment Assets	667,691	9,533,435	10,201,126
<i>Reconciliation of segment assets to group assets:</i>			
○ Intra-segment eliminations		(9,324,694)	(9,324,694)
<b>Total assets</b>			<b>876,432</b>
Segment Liabilities	9,387,015	1,173,867	10,560,882
<i>Reconciliation of segment liabilities to group liabilities:</i>			
○ Intra-segment eliminations	(9,397,409)	-	(9,397,409)
<b>Total liabilities</b>			<b>1,163,473</b>
<b>As at 30 June 2023</b>			
Segment Assets	1,218,050	9,792,924	11,010,974
<i>Reconciliation of segment assets to group assets:</i>			
○ Intra-segment eliminations	-	(9,324,694)	(9,324,694)
<b>Total assets</b>			<b>1,686,280</b>
Segment Liabilities	9,149,062	1,257,109	10,406,171
<i>Reconciliation of segment liabilities to group liabilities:</i>			
○ Intra-segment eliminations	(9,324,694)	-	(9,324,694)
<b>Total liabilities</b>			<b>1,081,477</b>

## 12.4 Geographical Segments

The Group is domiciled in Australia and all revenue from external parties is generated in Australia.



## Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

### Note 13 Statement of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### 13.1 Basis of preparation

##### 13.1.1 Reporting Entity

Skin Elements Limited (**Skin Elements or the Company**) is a listed public company limited by shares, domiciled, and incorporated in Australia. These are the consolidated financial statements and notes of Skin Elements and controlled entities (collectively **the Group**). The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. The Group is a for-profit entity and is primarily involved in businesses which deliver accredited and non-accredited vocational education and training solutions throughout Australia and internationally.

The separate financial statements of Skin Elements, as the parent entity, have not been presented with this financial report as permitted by the *Corporations Act 2001* (Cth).

##### 13.1.2 Basis of accounting

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The financial statements were authorised for issue on 29 February 2024 the Directors of the Company.

##### 13.1.3 Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the half-year of \$1,210,100 (31 December 2022: \$2,889,542 loss) and a net cash in-flow from operating activities of \$62,925 (31 December 2022: \$963,211 out-flow). As at 31 December 2023, the Group a working capital deficit of \$358,525 (30 June 2023: \$533,136 working capital).

The ability of the Group to continue as a going concern is dependent on the Group securing additional debt and/or equity funding and/or generating profits from its normal course of business.

These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors are confident that there will be sufficient funds for the Group to meet its obligations and liabilities and believe it is appropriate to prepare these accounts on a going concern basis for the following reasons.

 Skin Elements is eligible for R&D Rebate tax incentive grant and has received \$1.13 million during the period in relation to eligible FY2023 R&D expenditure and accrued \$614K as at 31 December 2023 in relation to eligible R&D expenditure for the six months to that date.

 Received \$467K under a R&D advance facility with Radium Capital.

 The Board intends, subject to shareholder approval, to issue equity securities in satisfaction of amounts owed to Directors and Key Management of approximately \$671K.

 The Company has a successful track record of raising working capital when required through the issue of equity securities.

The Directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group's history of raising capital to date, and the LDA Capital facilities the Directors are confident of the Group's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

**Notes to the condensed consolidated financial statements**

for the half-year ended 31 December 2023

**Note 13 Statement of significant accounting policies****13.1.4 Comparative figures**

Where required by AASBs comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

**13.2 Use of estimates and judgments**

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 13.2.1.

**13.2.1 Critical Accounting Estimates and Judgments**

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- a. *Key estimate – Impairment of intangibles* ..... Refer note 4.2 *Intangible assets*.
- b. *Key estimate – Amortisation rates of intangibles* ..... Refer note 4.2 *Intangible assets*.
- c. *Key estimate – Share-based payments* ..... Refer note 11 *Share-based payments*.
- d. *Treatment of LDA options and commitment fee* ..... Refer note 3.6 *Derivative assets and liabilities*.

**13.3 New Accounting Standards and Interpretations not yet mandatory or early adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.



## Directors' declaration

The Directors of the Company declare that in the Directors' opinion:

1. The attached financial statements and notes, as set out on pages 8 to 29, are in accordance with the *Corporations Act 2001* (Cth) including:
  - (a) comply with Accounting Standard AASB 134: *Interim Financial Reporting*; and
  - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial year ended on that date
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001* (Cth).

On behalf of the Directors



**PETER MALONE**  
Executive Chairman

Dated this Thursday, 29 February 2024





Tel: +61 8 6382 4600  
Fax: +61 8 6382 4601  
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2  
5 Spring Street  
Perth WA 6000  
PO Box 700 West Perth WA 6872  
Australia

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Skin Elements Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Skin Elements Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, material account policy information and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Company does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Company's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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**Material uncertainty relating to going concern**

We draw attention to Note 13.1.3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

**Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**BDO Audit (WA) Pty Ltd**

BDO  


**Glyn O'Brien**

**Director**

Perth, 29th February 2024





**Skin Elements Limited (ASX:SKN)**

1242 Hay Street West Perth, Western Australia, 6005  
Australia

P 08 6311 1900 F 08 6311 1999

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

[info@skinelementslimited.com](mailto:info@skinelementslimited.com)

[www.sknlife.com.au](http://www.sknlife.com.au)