



30 August 2023

Quarterly Activity Report Update - Period ending 30 June 2023

Australian natural skin care company Skin Elements Limited (ASX: SKN) (Skin Elements, the Company) provides further information to provide clarification on its Quarterly Activity Report for the period ending 30 June 2023 as lodged on MAP on 31 July 2023 and updated on 10 August 2023.

Research & Development Rebate and Radium Facility

During the 2023 financial year, Skin Elements received an R&D Rebate of \$984k, of which \$734k had been advanced to the Company in the 2022 financial year under a facility provided by Radium Capital entered into on 10 February 2022. Upon receipt of the R&D Rebate, the facility was repaid to Radium Capital. The Company had a similar arrangement during the 2021 financial year with Radium Capital.

For the 2023 financial year Skin Elements' R&D Rebate calculation for the FY2023 research and development spend is \$1.13million of which the Company has received advances of \$538k received progressively during financial year under the Radium facility. The Company expects to receive the balance of \$592k in the current quarter ending 30 September 2023.

SKN has updated sections 1.7, 3.5, 3.6, 8.1 and 8.5 of the Appendix 4C for both the June quarter and full year to date, to provide further clarification on the funds received directly from the R&D Rebate and from the Radium facility.

SKN considers that the R&D Rebate Facility not to be information that a reasonable person would expect to have a material effect on the price of its securities.

On the onset of the R&D facility being in place it was considered not material as against existing cash reserves, cashflow requirements and existing finance facilities in place at that time with LDA to warrant separate disclosure to ASX. The R&D facility with Radium Capital facilitated the advance of cash ahead of the expected annual refund from the Australian Taxation Office (ATO), for expenditure that had already been incurred by the Company in its R&D activities.

In the financial year ended 30 June 2022, the Company received cash under the R&D facility of \$989k on 21 July 2021 for expenditure incurred during FY21, which it then repaid to Radium Capital on 18 August 2021 on the receipt of its R&D refund from the ATO, again this was for expenditure already incurred by the Company during the FY2021 period. Disclosure of the funds received from the R&D rebate from the ATO, was included in the Company's Appendix 4C for the quarter ended 30 June 2021, and also its Annual Report which refers to subsequent events being the receipt of the R&D rebate funds from the ATO.

The Company received further drawdowns against the facility for \$371k on 11 February 2022 and \$364k on 23 June 2022 in relation to its FY2022 R&D expenditure. During FY2023, the Company received \$984k from the ATO on 14 September 2022 and repaid funds advanced under the facility to Radium on 6 October 2022.

The Company received further advances of cash under the Radium facility on 4 November 2022 of \$194k, \$178k on 21 February 2023 and \$166k on 16 May 2023 with the balance of \$592k available as at 30 June 2023. Subsequently the Company received further funds of \$194k on 17 July, with the facility currently at \$398k.

Disclosures of R&D receipts and spending were all included in each of the Company's quarterly cashflow reports and Appendix 4Cs and its Appendix 4E preliminary Financial Results and the Annual Report for FY2022. Throughout this period, it was considered the R&D facility was not significant different to the R&D rebate funds subsequently received and when compared to operating cashflows, equity capital raised, and the existing LDA facility in place, that would warrant any separate disclosure to ASX.

The Company will now in future periods be reporting separately funds received under the R&D facility and the R&D Rebate to provide greater clarity in its cash and capital funding requirements, as measured against the next two quarters as set out in the Appendix 4C at item 8.5.

Other Changes

SKN had separately received a \$100k cash deposit on 29 March 2023 from a non-related third party, Goldstyle Nominees Pty Ltd, as a potential sub underwriter to the Company's non-renounceable rights pro-rata entitlement issue, that was underwritten by 708 Capital Pty Ltd. The Company did not proceed with the sub-underwriting and returned the \$100k cash deposit on 20 June 2023. The Company had incorrectly classified the cash receipt in the March quarter, due to an accounting error through item 1.2 (a) research and development in the Appendix 4C for the 31 March 2023 quarter. The error was identified and adjusted in the Appendix 4C for the quarter ending 30 June 2023, reclassified to item 3.5, proceeds from borrowings, year to date.

SKN is complying with the Listing Rules and, in particular, Listing Rule 3.1.

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

END

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About Skin Elements

Skin Elements (ASX: SKN) is an award winning Australian owned and operated ASX-listed health care company focused on the development of its SE Formula Biotechnology. Skin Elements innovative and world leading approach to research and development of plant-based and organic sourced ingredients has enabled the creation of a portfolio of formulations that have global applications.

The SE Formula technology applications include the Soléo Organics natural and organic sunscreen, PapayaActivs natural therapeutics skincare, SuprCuvr TGA-registered hospital-grade plant-based disinfectant, and Eco Nurture agriculture bio-stimulant. Products within these groups are undergoing marketing testing and moving to commercialisation.



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)

30 June 2023

Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (12 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	43	193
1.2 Payments for:	-	-
(a) research and development [†]	(762)	(1,614)
(b) product manufacturing and operating costs [†]	(18)	(130)
(c) advertising and marketing [†]	(49)	(137)
(d) leased assets	-	-
(e) staff costs	(68)	(475)
(f) administration costs [†]	(27)	(325)
(g) corporate costs	(43)	(250)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives (net of funding repayments)	-	984
1.8 Other: (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(924)	(1,754)
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)	-	-

[†] Year to date contained minor reallocations within operating cash flow payments. These have not affected total operating cash flows

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 (12 Months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,022	1,772
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	(73)	(130)
3.5 Proceeds from borrowings	166	638
3.6 Repayment of borrowings	(100)	(834)
3.7 Transaction costs related to loans and borrowings	(26)	(82)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	989	1,364
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	293	748
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(924)	(1,754)
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)	989	1,364
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	358	358

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	358	293
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)	358	293

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	132
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 \$90k 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 2022 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): LDA Capital Equity Funding Facility	906	-
R&D Rebate Advance Facility	1,130	538
7.4 Total financing facilities	2,036	538

7.5 Unused financing facilities available at quarter end 1,498

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.

■ **LDA Capital Equity Funding Facility Terms and conditions:**

Terms 36 months

Total facility Put options to require LDA to subscribe for up to \$20 million of shares at the Company's election.

Drawdown Nil

Issue Price The issue price of the shares pursuant to a put option will be 90% of the higher of:

- The average VWAP of shares in the 30-trading day period after the issue of a call option by the Company (subject to any applicable adjustments); and
- the minimum price notified to LDA Capital by the Company upon the issue of the call option.

Limit During the term of the Agreement, LDA Capital may not hold more than 19.9% of the issued share capital of the Company.

Capacity Any placement to LDA Capital is expected to be made under the Company's Listing Rule 7.1 capacity.

Security SKN will issue LDA Capital collateral shares (SKN ordinary fully paid for nil consideration) on a one for one basis to the number of shares issued under the capital call notice less any collateral shares already held by LDA Capital.

Availability The total number of shares that SKN could issue under the facility based upon the Limit and Capacity as calculated above is 113,327,733 shares which at current market price would provide approximately \$906K.

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

Terms Up to 18 months

Total facility \$1.13 million based on eligible R&D spend for FY2023.

Drawdown As at 30 June 2023, \$538K has been drawn down with balance available \$592k

Security The facility is secured against the R&D Tax Rebate based on eligible 2023 R&D spend. The facility and interest is repaid on receipt of the R&D Rebate.

Interest Rate 14% pa pro rata.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(924)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	358
8.3 Unused finance facilities available at quarter end (Item 7.5)	1,498
8.4 Total available funding (Item 8.2 + Item 8.3)	1,856
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.01

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:

1. 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

2. *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

3. *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: Wednesday, 30 August 2023

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

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – 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.