

SCIENCE

KNOWLEDGE



NATURE

**SKIN ELEMENTS
LIMITED** ABN 90 608 047 794
and its controlled entities

Half Year Report
31 December 2020

Corporate directory**Current Directors**

Peter Malone	<i>Executive Chairman</i>
Phil Giglia	<i>Non-Executive Director</i>
John Poulsen	<i>Non-Executive Director</i>

Company Secretary

Phil Giglia

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@senatural.com

Website: www.skinelementslimited.com

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Share Registry

Link Market Services Limited

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

Telephone: 1300 554 474 (within Australia)
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Email: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au

Securities Exchange

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Perth WA 6000

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ASX Code SKN

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Directors' report

Your directors present their report on the Group, consisting of Skin Elements Limited (**Skin Elements, SKN, or the Company**) and its controlled entities (collectively **the Group**), for the half-year ended 31 December 2020.

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
-  Phil Giglia Independent Non-Executive Director and Company Secretary
-  John Poulsen Independent Non-Executive Director (*Appointed on 29 October 2020*)
-  Craig Piercy Executive Director (*Appointed on 29 November 2019, Resigned on 29 October 2020*)

(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. Operations Review

a. *Invisi Shield® Natural Disinfectant and Sanitiser*

Since launching Invisi Shield® Organics, a natural alcohol-free, anti-microbial sanitiser designed to deliver superior protection, SKN has continued to investigate the use of the SE Formula™ in a range of applications for Invisi Shield® Organics as a sanitiser and as a disinfectant.

SKN has submitted its application for Therapeutic Goods Administration (TGA) registration of the new formula Invisi Shield® Organics as a hospital grade disinfectant. A successful registration with the TGA will allow the Company to make more detailed and specific product and label claims in respect to Invisi Shield® which has the potential to open up significant new commercial scale sales and distribution opportunities for Invisi Shield®.

b. *SKN relocates to new Head Office at 1242 Hay Street West Perth*

SKN has relocated to a new Head Office at 1242 Hay Street, West Perth, Western Australia. This new leased premises provides for sufficient space for Skin Elements' corporate, product development, and sales & marketing operations including a retail shop front

c. *SKN appoints new Director*

SKN has appointed Mr John Poulsen to the Board as a Non-Executive Director. Mr John Poulsen's appointment brings broad experience and skills to the Board, assisting the Company to develop its corporate strategy and governance as it transitions from research & development to commercial operations.

d. *SKN enters into Distribution Agreement for Invisi Shield*

SKN entered into a binding Distribution Agreement with Prudential Consultants Pty Ltd (Prudential Consultants) for the distribution of its Invisi Shield® Organics in Australia.

Prudential Consultants has agreed to minimum sales commitments of \$2.4 million over three years for the exclusive distribution of Invisi Shield® Organics in New South Wales and Tasmania, and also the distribution of Invisi Shield® Organics outside of these territories on a non-exclusive basis.

Prudential Consultants has taken delivery of samples and training materials and has commenced marketing activities for the Invisi Shield® Organics, with orders under the Distribution Agreement expected to commence once TGA registration is obtained.

e. *Global Opportunity*

Skin Elements continues to maintain its focus on developing sales of all of its natural products range in Australia and global markets including major retail pharmacy and health chains in the United Kingdom, the expansion of its online sales portal, and the support to its distributors in Europe.

f. *Manufacturing Underway*

Skin Elements continues to use approved contract production laboratories in Australia to produce its SE Formula product ranges in accordance with Good Manufacturing Practices and TGA requirements. Notwithstanding that these manufacturers have production capacity to meet the Company's requirements for the foreseeable future, the restrictions caused by COVID-19 have delayed production and the delivery of inventories from its contract.

Directors' report

g. *Collaboration Agreement with Holista Colltech Terminated*

In October 2020 the Company received a notice of termination of the Binding Collaboration Term Sheet entered into on 1 April 2020 (**Term Sheet**) with Holista Colltech (**HCT**) for the supply of an ingredient for the Company's Invisi Shield formula.

The termination of the Term Sheet has not had any material impact on the operations and production of the Company.

h. *Option to acquire interest in Sambora Pty Ltd*

In December 2020, SKN announced that it had entered into an exclusive option to acquire up to a 40% equity stake in Sambora Pty Ltd, which owns natural Australian nail polish business, BeachToes. The key terms of the proposed transaction include SKN to pay a \$50,000 non-refundable option fee, undertake due diligence, finalisation of commercial terms and execution of formal agreements. As at the date of this report, the parties have agreed to continue to negotiate the terms of the option including the payment of the option fee.

i. *Funding of Growth Strategies*

The Company continually reviews its financial position to ensure that it has sufficient working capital to undertake its growth programs. During the period Skin Elements:

- 🌱 Placement – completed the issue of 2,000,000 ordinary fully paid shares and 200,000 attaching options to raise \$120,000 cash.
- 🌱 Options exercising – exercise into fully paid ordinary shares 29,092,632 SKNUOA unlisted options for \$872,778 cash received and 4,882,930 SKNOA listed options for \$488,293 cash received.
- 🌱 Research and Development rebate – received funds amounting to \$668,418 in relation to the 2020 R&D program and has accrued a further \$335,640 in relation to the 2021 R&D program.
- 🌱 Pre-production financing facility – Repaid \$500,000 drawdown under the pre-factoring financing facility with Custodian Australia Pty Ltd.

2.2. Financial Review

a. *Key profit and loss measures*

	Movement (increase/ decrease)	Movement \$	6 months to 31 December 2020 \$	6 months to 31 December 2019 \$
🌱 Revenues from ordinary activities	<i>increased</i>	63,369	148,200	84,831
🌱 Loss from ordinary activities after tax	<i>increased</i>	257,320	(1,365,850)	(1,108,530)
🌱 EBITDA	<i>decreased</i>	253,314	(1,166,416)	(913,102)

b. *Key net asset measures*

	Movement (increase/ decrease)	Movement \$	31 December 2020 \$	30 June 2020 \$
🌱 Cash and cash equivalents	<i>increased</i>	659,946	865,893	205,947
🌱 Working capital (excluding prepayments)	<i>increased</i>	941,975	1,248,935	306,960
🌱 Net tangible assets	<i>increased</i>	972,447	1,530,976	558,529
🌱 Net assets	<i>increased</i>	809,423	10,021,776	9,212,353

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.

Directors' report

2.3. Impact of COVID 19 Coronavirus

Whilst SKN has continued to operate from West Perth premises during the period, the impact of COVID-19 restrictions has seen delay of orders from national and international distributors, restrictions on travel and reduced ability to meet with distributors and new customers, increased costs and shipment timeframes for national and international freight, and delayed production and the delivery of inventories from its contract manufacturers in Victoria and Queensland.

During the period the Company received the Federal Government's Jobkeeper subsidy and Cashflow boost incentives of \$92,500.

2.4. Events Subsequent to Reporting Date

In January 2021 SKN provided the options Underwriter (State Securities Pty Ltd) with a shortfall notice advising that 90,713,005 SKNOA options and 1,108,992 SKNUOA options have expired.

In regard to this underwriting obligation, the Underwriter has provided the Company with a total of \$1,832,857 in cash comprising \$632,857 for the issue of 6,328,571 ordinary fully paid shares pursuant to the shortfall, and a further \$1,200,000 for the issue of 12,000,000 ordinary fully paid shares as a placement to the Underwriter.

In March 2021, the Company appointed Mr Phil Gigla as Company Secretary, with Steven Woods and Kate Sainty resigned as Joint Company Secretaries.

There are no other 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 on page 16.

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 a placement, and the consideration of other equity and debt proposals

 The Company will continue to focus on development and commercialisation of its natural skin care 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's independence and Non-audit services

3.1. Auditor independence

The auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the half-year ended 31 December 2020 has been received and can be found on page 4 of the interim financial report.

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 Monday, 22 March 2021

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 2020, 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.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 22 March 2021

Condensed consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2020

	Note	6 months to 31 December 2020 \$	6 months to 31 December 2019 \$
<i>Continuing operations</i>			
Revenue	1.1	148,200	84,831
Cost of sales		(60,019)	(67,107)
Gross profit		88,181	17,724
Other income	1.2	428,130	294,162
Administration expenses	2.1	(495,772)	(367,689)
Advertising and marketing expenses		(155,995)	(90,732)
Amortisation		(199,434)	(195,428)
Corporate expenses	2.2	(182,507)	(156,317)
Consultants fees	2.3	(112,849)	(192,496)
Occupancy costs		(47,511)	(55,221)
Research and development expenses		(688,093)	(362,533)
Loss before tax		(1,365,850)	(1,108,530)
Income tax expense		-	-
Net loss for the half-year		(1,365,850)	(1,108,530)
<i>Other comprehensive income, net of income tax</i>			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income attributable to members of the parent entity		(1,365,850)	(1,108,530)
<i>Earnings per share:</i>			
Basic and diluted loss per share (cents per share)	10.4	(0.420)	(0.680)

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

Half Year Report

31 December 2020

SKIN ELEMENTS LIMITED

AND CONTROLLED ENTITIES

ABN 90 608 047 794

Condensed consolidated statement of financial position

as at 31 December 2020

	Note	31 December 2020 \$	30 June 2020 \$
<i>Current assets</i>			
Cash and cash equivalents	3.1	865,893	205,947
Trade and other receivables	3.2.1	486,851	764,153
Inventories	4.1	211,829	155,705
Other current assets	3.3.1	452,690	441,865
Total current assets		2,017,263	1,567,670
<i>Non-current assets</i>			
Right of use asset - property, plant, and equipment		30,472	-
Intangible assets	4.2	8,490,800	8,653,824
Total non-current assets		8,521,272	8,653,824
Total assets		10,538,535	10,221,494
<i>Current liabilities</i>			
Trade and other payables	3.4.1	482,640	509,141
Borrowings	3.5.1	34,119	500,000
Total current liabilities		516,759	1,009,141
Total liabilities		516,759	1,009,141
Net assets		10,021,776	9,212,353
<i>Equity</i>			
Issued capital	5.1.1	19,745,737	17,607,998
Reserves	5.5	66,637	29,103
Accumulated losses		(9,790,598)	(8,424,748)
Total equity		10,021,776	9,212,353

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 2020

	Note	Contributed equity \$	Accumulated losses \$	Convertible note reserve \$	Share-based payment reserve \$	Total equity \$
<i>Balance at 1 July 2019</i>		15,286,784	(6,896,381)	492,405	312,338	9,195,146
Loss for the half-year attributable to the owners of the parent		-	(1,108,530)	-	-	(1,108,530)
Adjustment to fair value of convertible note		-	42,206	(42,206)	-	-
Other comprehensive income for the half-year attributable to the owners of the parent		-	-	-	-	-
Total comprehensive income for the half-year attributable to the owners of the parent		-	(1,066,324)	(42,206)	-	(1,108,530)
<i>Transaction with owners, directly in equity</i>						
Shares issued during the half-year (net of costs)	5.1.1	113,675	-	-	-	113,675
Share-based payments during the half-year	11	75,351	-	-	18,088	93,439
Converting note funds received and conversion	5.1.1	650,199	-	(450,199)	-	200,000
Balance at 31 December 2019		16,126,009	(7,962,705)	-	330,426	8,493,730
<i>Balance at 1 July 2020</i>		17,607,998	(8,424,748)	-	29,103	9,212,353
Loss for the half-year attributable to the owners of the parent		-	(1,365,850)	-	-	(1,365,850)
Adjustment to fair value of convertible note		-	-	-	-	-
Other comprehensive income for the half-year attributable to the owners of the parent		-	-	-	-	-
Total comprehensive income for the half-year attributable to the owners of the parent		-	(1,365,850)	-	-	(1,365,850)
<i>Transaction with owners, directly in equity</i>						
Shares issued during the half-year (net of costs)	5.1.1	2,137,739	-	-	-	2,137,739
Share-based payments during the half-year	11	-	-	-	37,534	37,534
Balance at 31 December 2020		19,745,737	(9,790,598)	-	66,637	10,021,776

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

Half Year Report

31 December 2020

SKIN ELEMENTS LIMITED

AND CONTROLLED ENTITIES

ABN 90 608 047 794

Condensed consolidated statement of cash flows

for the half-year ended 31 December 2020

Note	6 months to 31 December 2020 \$	6 months to 31 December 2019 \$
<i>Cash flows from operating activities</i>		
Receipts from customers	146,363	149,388
Payments to suppliers and employees	(1,709,454)	(1,069,333)
Receipt of research and development tax incentive	668,418	688,959
Interest paid and facility fees	(88,359)	(14,289)
Interest received	-	888
JobKeeper payment scheme and ATO cash flow boost	92,500	-
Net cash used in operating activities	(890,532)	(244,387)
<i>Cash flows from investing activities</i>		
Purchase of intangibles	(36,410)	-
Net cash used in investing activities	(36,410)	-
<i>Cash flows from financing activities</i>		
Proceeds from issue of shares	2,086,888	364,833
Repayments of borrowings	(500,000)	(200,000)
Net cash provided by financing activities	1,586,888	164,833
Net increase/(decrease) in cash and cash equivalents held	659,946	(79,554)
Cash and cash equivalents at the beginning of the half-year	205,947	116,233
Cash and cash equivalents at the end of the half-year	865,893	36,679

3.1

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

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

In preparing the 31 December 2020 interim financial statements, Skin Elements Limited has grouped notes into sections under the same key categories as used in the June 2020 Annual Report:

 Section A: How the numbers are calculated.....	10
 Section B: Unrecognised items	16
 Section C: Other Information.....	17

The presentation of the notes to the financial statements is supported by the IASB's Disclosure Initiative. As part of this project, the AASB made amendments to AASB 101 *Presentation of Financial Statements* which have provided preparers with more flexibility in presenting the information in their financial reports.

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

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

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 entity.

Note	1	Revenue and other income	6 months to 31 December 2020 \$	6 months to 31 December 2019 \$
1.1		Revenue		
		Sales to customers	148,200	84,831
			148,200	84,831
1.2		Other Income		
		Research and development tax incentives grant income	335,630	294,162
		JobKeeper Payment scheme grant income	67,500	-
		ATO Cash flow boost grant income	25,000	-
			428,130	294,162
Note	2	Loss before income tax	6 months to 31 December 2020 \$	6 months to 31 December 2019 \$
		The following significant revenue and expense items are relevant in explaining the financial performance:		
2.1		Administration expenses		
		 Accounting expenses	65,075	145,617
		 Wages and salaries	247,441	122,939
		 Travel expenses	18,088	15,851
		 Interest expenses and finance facility costs	88,359	-
		 Other expenses	76,809	83,282
			495,772	367,689
2.2		Corporate expenses		
		 ASX fees	32,176	20,583
		 Audit expenses	36,400	34,985
		 Directors fees	18,000	20,000
		 Filing fees	7,294	4,912
		 Legal expenses	77,788	51,492
		 Share Registry and shareholder communications	10,849	24,345
			182,507	156,317
2.3		Contract and consulting fees		
		 Executive services contracts	39,327	173,085
		 Share-based performance rights	37,534	18,088
		 External consulting fees	35,988	1,323
			112,849	192,496

11.2.1a

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

Note 3 Financial assets and financial liabilities**3.1 Cash and cash equivalents**

	31 December 2020 \$	30 June 2020 \$
Cash at bank	865,893	205,947
	865,893	205,947

3.2 Trade and other receivables

Note

	31 December 2020 \$	30 June 2020 \$
3.2.1 Current		
Trade receivables	23,461	21,625
Goods and Services Tax receivable	59,645	73,733
Research and Development Grant receivable	335,630	668,418
Other receivables	68,115	377
	486,851	764,153

3.2.2 The Group continued its development program during the half-year ended 31 December 2020 resulting in a claim for research and development tax incentive, for the 2021 financial year, which has been included as a receivable at half-year end.

3.3 Other assets

	31 December 2020 \$	30 June 2020 \$
3.3.1 Current		
Prepayments – Raw materials	251,569	192,902
Other deposits	201,121	248,963
	452,690	441,865

3.4 Trade and other payables

	31 December 2020 \$	30 June 2020 \$
3.4.1 Current		
<i>Unsecured</i>		
Trade payables	295,629	300,377
Sundry payables and accrued expenses	187,011	208,764
	482,640	509,141

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

Note 3 Financial assets and financial liabilities (cont.)

3.5 Borrowings	Note	31 December 2020 \$	30 June 2020 \$
3.5.1 <i>Current</i>			
Pre-factoring financing facility	3.5.2	-	500,000
Leases – motor vehicle		34,119	-
		34,119	500,000
3.5.2 <i>Terms and conditions: Pre-factoring financing facility</i>			
During the half-year pre-factoring financing facility with Custodian Australia Pty Ltd, with the following key terms:			
■ <i>Total facility</i>		\$10,000,000	
■ <i>Drawdown</i>		\$nil	
■ <i>Interest rate</i>		15%	
■ <i>Maturity</i>		9 November 2020	
■ <i>Repaid</i>		\$500,000	
■ <i>Security</i>		The drawdown can also be secured against the inventory produced	

Note 4 Non-financial assets and financial liabilities

4.1 Inventories	31 December 2020 \$	30 June 2020 \$
Finished goods	211,829	155,705
	211,829	155,705
4.2 Intangible assets	31 December 2020 \$	30 June 2020 \$
<i>Skin Elements</i> formula and technology	9,859,296	9,859,296
Accumulated amortisation	(1,406,976)	(1,212,476)
	8,452,320	8,646,820
Website development costs	55,410	19,000
Accumulated amortisation	(16,930)	(11,996)
	38,480	7,004
Total intangibles	8,490,800	8,653,824

As at 31 December 2020 and up to the date of signing this report, there were no indicators of impairment identified.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

Note 5 Equity						
5.1	Issued capital	Note	31 December 2020 No.	30 June 2020 No.	31 December 2020 \$	30 June 2020 \$
Fully paid ordinary shares at no par value			361,148,695	323,284,299	19,745,737	17,607,998
			6 months to 31 December 2020 No.	12 months to 30 June 2020 No.	6 months to 31 December 2020 \$	12 months to 30 June 2020 \$
5.1.1	Ordinary shares					
At the beginning of the period			323,284,299	158,404,002	17,607,998	15,286,784
Shares movement during the period:						
 31.07.19 Placement			-	4,059,838	-	113,675
 29.11.19 Convertible note			-	3,001,326	-	450,199
 31.12.19 Corporate advisory			-	761,538	-	19,800
 31.12.19 Project management services			-	2,734,892	-	55,551
 31.12.19 Convertible note			-	12,500,000	-	200,000
 01.02.20 Placement			-	100,479,822	-	1,004,798
 20.03.20 Placement			-	29,800,000	-	350,000
 20.03.20 Lead Manager fee			-	2,500,000	-	25,000
 20.03.20 Underwriting fee			-	2,000,000	-	25,000
 20.03.20 Facility fee			-	2,000,000	-	25,000
 14.05.20 Facility fee			-	300,000	-	25,000
 22.06.20 Acquisition of IP			-	250,000	-	20,000
 30.06.20 Options exercise			-	4,492,881	-	134,786
 17.08.20 Options exercise			483,333	-	14,500	-
 21.08.20 Share issue			2,000,000	-	120,000	-
 19.09.20 Options exercise			975,001	-	29,250	-
 30.09.20 Options exercise			1,247,167	-	37,414	-
 30.11.20 Options exercise			2,958,465	-	88,754	-
 11.12.20 Options exercise			6,799,688	-	203,991	-
 23.12.20 Options exercise			4,159,266	-	124,779	-
 31.12.20 Options exercise			14,358,546	-	430,757	-
 31.12.20 Options exercise			4,882,930	-	488,294	-
 Shares to be issued			5.1.2	-	600,000	-
Transaction costs relating to share issues			-	-	-	(127,595)
At reporting date			361,148,695	323,284,299	19,745,737	17,607,998
5.1.2	Shares to be issued					
a. During the period, the underwriter advances \$500,000 of its shortfall obligation under the underwriting agreement dated 16 April 2020. Subsequent to reporting date, the amount was applied to the shortfall obligation and 5,000,000 ordinary fully paid shares were issued. No interest was payable.						
b. During the period, the Company received \$100,000 cash advance from a third-party shareholder, to be repaid in cash or applied to a placement application. Subsequent to reporting date, the amount was applied to a placement application and 1,000,000 ordinary fully paid shares were issued. No interest was payable.						

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

Note 5 Equity (cont.)

5.2 Options

	31 December 2020 No.	30 June 2020 No.	31 December 2020 \$	30 June 2020 \$
Options	-	126,004,034	-	-
	6 months to 31 December 2020 No.	12 months to 30 June 2020 No.	6 months to 31 December 2020 \$	12 months to 30 June 2020 \$
At the beginning of the period	126,004,034	81,965,315	-	116,816
Options movement during the period:				
🌿 31.12.19 Convertible note	-	3,001,326	-	-
🌿 31.12.19 Convertible note	-	9,375,000	-	-
🌿 06.03.20 Expiry of options	-	(338,000)	-	-
🌿 17.03.20 Placement	-	33,493,274	-	-
🌿 20.03.20 Placement	-	3,000,000	-	-
🌿 30.06.20 Exercise	-	(4,492,881)	-	-
🌿 17.08.20 Options exercise	(483,333)	-	-	-
🌿 21.08.20 option issue	200,000	-	-	-
🌿 19.09.20 Options exercise	(975,001)	-	-	-
🌿 30.09.20 Options exercise	(1,247,167)	-	-	-
🌿 30.11.20 Options exercise	(2,958,465)	-	-	-
🌿 11.12.20 Options exercise	(6,799,688)	-	-	-
🌿 23.12.20 Options exercise	(4,159,266)	-	-	-
🌿 31.12.20 Options exercise	(14,358,546)	-	-	-
🌿 31.12.20 Options exercise	(4,882,930)	-	-	-
🌿 31.12.20 Expiry of options	(90,339,638)	-	-	-
🌿 Previously expired options	-	-	-	(116,816)
At reporting date	-	126,004,034	-	-
Comprising the following options:				
🌿 Listed, ex. price \$0.10 exp. date 31.12.20	-	97,003,641	-	-
🌿 Unlisted, ex. price \$0.03 exp. date 31.12.20	-	29,000,393	-	-
At reporting date	-	126,004,034	-	-

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

Note 5 Equity (cont.)

5.3 Performance rights	Note	31 December 2020 No.	30 June 2020 No.	31 December 2020 \$	30 June 2020 \$
Performance rights		47,000,000	47,000,000	29,103	29,103
		6 months to 31 December 2020 No.	12 months to 30 June 2020 No.	6 months to 31 December 2020 \$	12 months to 30 June 2020 \$
At the beginning of the period		47,000,000	2,200,000	29,103	195,522
Performance rights movement during the period:					
Issued		-	47,000,000	-	29,103
Fair value adjustments		-	-	-	27,323
Lapsed		-	(2,200,000)	-	(222,845)
At reporting date		47,000,000	47,000,000	29,103	29,103

5.4 Convertible notes (equity)		31 December 2020 No.	30 June 2020 No.	31 December 2020 \$	30 June 2020 \$
Convertible Note		-	-	-	-
		6 months to 31 December 2020 No.	12 months to 30 June 2020 No.	6 months to 31 December 2020 \$	12 months to 30 June 2020 \$
At the beginning of the period		-	378,842	-	492,405
Convertible notes movement during the period:					
Fair value adjustments		-	-	-	(42,206)
Conversion to ordinary shares		-	(378,842)	-	(450,199)
At reporting date		-	-	-	-

5.5 Reserves		31 December 2020 \$	30 June 2020 \$
Share-based payment reserve		66,637	29,103
		66,637	29,103

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

SECTION B. UNRECOGNISED ITEMS

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 6 Commitments**6.1 Capital commitments**

In December 2020, SKN announced that it had entered into an exclusive option to acquire a 40% equity stake in Sambora Pty Ltd which owns Australian nail polish business, Beach Toes. The key terms of the proposed transaction include, SKN to pay a \$50,000 non-refundable option fee, undertake due diligence, finalisation of commercial terms and execution of formal agreements. As at the date of this report, the parties have agreed to continue to negotiate the terms of the option including the payment of the option fee.

The Group does not have any other capital commitments at reporting date.

Note 7 Events subsequent to reporting date

In January 2021 SKN provided the options Underwriter (State Securities Pty Ltd) with a shortfall notice advising that 90,713,005 SKNOA options and 1,108,992 SKNUOA options have expired.

In regard to this underwriting obligation, the Underwriter has provided the Company with a total of \$1,832,857 in cash comprising \$632,857 for the issue of 6,328,571 ordinary fully paid shares pursuant to the shortfall, and a further \$1,200,000 for the issue of 12,000,000 ordinary fully paid shares as a placement to the Underwriter.

In March 2021, the Company appointed Mr Phil Gigla as Company Secretary, with Steven Woods and Kate Sainty resigned as Joint Company Secretaries.

There has not been any other matter or circumstance 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 other contingent liabilities as at 31 December 2020 (30 June 2020: Nil).

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

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

Entity	Nature of transactions	KMP	Total Transactions		Payable Balance	
			6 months to	6 months to	31 December	31 December
			31 December 2020	31 December 2019	2020	2019
			\$	\$	\$	\$
Peter Malone	Executive services	Director	120,000	120,000	64,102	86,866
Phil Giglia	Directors' fees	Director	14,000	14,000	45,400	41,800
John Poulsen ⁽¹⁾	Directors' fees	Director (appointed 29.10.20)	4,000	-	2,200	-
Craig Piercy	Executive services	Former director (resigned 29.10.20)	-	13,000	-	13,000
Luke Martino	Directors' fees, Advisory fees	Former director (resigned 10.10.19)	-	6,000	-	53,675

⁽¹⁾ Mr Poulsen provides non-executive director services to the Company for a fee of \$24,000 (plus GST) per annum and reimbursement for reasonable expenses incurred in the performance of his duties to the Company.

Note 10 Earnings per share (EPS)

Note	6 months to 31 December 2020	6 months to 31 December 2019
	\$	\$
10.1 Reconciliation of earnings to profit or loss		
Loss for the half-year	(1,365,850)	(1,108,530)
Loss used in the calculation of basic and diluted EPS	(1,365,850)	(1,108,530)
	6 months to 31 December 2020 No.	6 months to 31 December 2019 No.
10.2 Weighted average number of ordinary shares outstanding during the half-year used in calculation of basic EPS	327,630,920	161,879,841
Weighted average number of dilutive equity instruments outstanding	10.5 N/A	N/A
10.3 Weighted average number of ordinary shares outstanding during the half-year used in calculation of basic EPS	327,630,920	161,879,841
	6 months to 31 December 2020 ¢	6 months to 31 December 2019 ¢
10.4 Earnings per share		
Basic EPS (cents per share)	10.5 (0.42)	(0.68)
Diluted EPS (cents per share)	10.5 N/A	N/A

10.5 As at 31 December 2020 the Group has nil unissued shares under options (December 2019: 126,004,034) and 47,000,000 performance shares on issue (December 2019: 47,000,000). 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 2020

Note	11	Share-based payments	Note	6 months to 31 December 2020 \$	6 months to 31 December 2019 \$
11.1		Share-based payments:			
		 Recognised in profit and loss (expenses)	11.2.1a	37,534	18,088
		Gross share-based payments		37,534	18,088

11.2 Share-based payment arrangements in effect during the half-year**11.2.1 Share-based payments recognised in profit or loss****a. Director and Consultants Performance Rights (2019)**

At the Company's 2019 AGM, shareholder approval was obtained to issue performance rights that will convert into shares upon Performance Milestones being achieved, to incentivise the development of existing Australian and international distribution and online sales channels, and negotiations with major international customers including a major UK retail chemist chain and the development of a major online retailer in the USA, for the sale and delivery of its proprietary expanded natural skincare and sun care product ranges.

These performance rights are issued to Peter Malone, Executive Chairman, and to Palmer Wilson Associates Ltd (PWA), a United Kingdom based specialist business development consultancy and have been valued and issued on terms as detailed below and as detailed below:

Class of Performance Right	Performance Condition	Performance rights No.		Milestone Date	Expiry Date	Performance Condition Satisfied	Probability of Milestone being achieved
		Peter Malone	PWA				
A	The Company receiving revenue from the sale of its products to an aggregate value of \$2,000,000	2,700,000	2,000,000	31 Dec 2023	4 years from the date of issue	No	40%
B	The Company receiving revenue from the sale of its products to an aggregate value of \$6,000,000	5,400,000	4,000,000	31 Dec 2023	4 years from the date of issue	No	40%
C	The Company receiving revenue from the sale of its products to an aggregate value of \$12,000,000	8,100,000	6,000,000	31 Dec 2023	4 years from the date of issue	No	40%
D	The Company receiving revenue from the sale of its products to an aggregate value of \$20,000,000	10,800,000	8,000,000	31 Dec 2023	4 years from the date of issue	No	40%

11.3 Fair value of options granted during the half-year

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

No options were granted during the half-year.

11.4 Fair value of performance rights granted during the half-year

No performance rights were granted during the half-year.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

Note 12 Operating segments**12.1 Segment Financial Performance****Half-year ended 31 December 2020**

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

■ Share-based payments

■ Occupancy costs

■ Research and development expenses

Segment profit/(loss) from continuing operations before tax

Group loss before income tax**Year ended 31 December 2019**

Revenue and other income

■ External sales

■ Other income

Half-year 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

■ Share-based payments

■ Occupancy costs

■ Research and development expenses

Segment profit/(loss) from continuing operations before tax

Group loss before income tax

	Operations \$	Corporate and administration \$	Total \$
Revenue and other income			
■ External sales	148,200	-	148,200
■ Other income	428,130	-	428,130
Total segment revenue and other income	576,330	-	576,330
Total Group revenue and other income			576,330
Segment profit/(loss) before income tax			
■ Cost of sales	(60,019)	-	(60,019)
■ Administration expenses	(346,108)	(149,664)	(495,772)
■ Advertising and marketing expenses	(55,972)	(100,023)	(155,995)
■ Amortisation	(199,434)	-	(199,434)
■ Corporate expenses	(17,211)	(165,296)	(182,507)
■ Consultants fees	(39,327)	(35,988)	(75,315)
■ Share-based payments	-	(37,534)	(37,534)
■ Occupancy costs	(38,004)	(9,507)	(47,511)
■ Research and development expenses	(688,093)	-	(688,093)
Segment profit/(loss) from continuing operations before tax	(867,838)	(498,012)	(1,365,850)
Group loss before income tax			(1,365,850)
Year ended 31 December 2019			
Revenue and other income			
■ External sales	84,831	-	84,831
■ Other income	294,162	-	294,162
Half-year segment revenue and other income	378,993	-	378,993
Total Group revenue and other income			378,993
Segment profit/(loss) before income tax			
■ Cost of sales	(67,107)	-	(67,107)
■ Administration expenses	(149,776)	(217,913)	(367,689)
■ Advertising and marketing expenses	(90,732)	-	(90,732)
■ Amortisation	(195,428)	-	(195,428)
■ Corporate expenses	(156,317)	-	(156,317)
■ Consultants fees	(71,086)	(103,307)	(174,393)
■ Share-based payments	-	(18,103)	(18,103)
■ Occupancy costs	(55,221)	-	(55,221)
■ Research and development expenses	(362,533)	-	(362,533)
Segment profit/(loss) from continuing operations before tax	(769,207)	(339,323)	(1,108,530)
Group loss before income tax			(1,108,530)

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

Note 12 Operating segments (cont.)

12.2 Segment Financial Position

At as 31 December 2020

Segment Assets

Reconciliation of segment assets to group assets:

■ Intra-segment eliminations

Total assets

Segment Liabilities

Reconciliation of segment liabilities to group liabilities

■ Intra-segment eliminations

Total liabilities

As at 30 June 2020

Segment Assets

Reconciliation of segment assets to group assets:

■ Intra-segment eliminations

Total assets

Segment Liabilities

Reconciliation of segment liabilities to group liabilities

■ Intra-segment eliminations

Total liabilities

	Operations \$	Corporate and administration \$	Total \$
Segment Assets	9,670,029	6,547,156	16,217,185
<i>Reconciliation of segment assets to group assets:</i>			
■ Intra-segment eliminations		(5,678,650)	(5,678,650)
Total assets			10,538,535
Segment Liabilities	5,104,166	1,091,243	6,195,409
<i>Reconciliation of segment liabilities to group liabilities</i>			
■ Intra-segment eliminations	(5,678,650)	-	(5,678,650)
Total liabilities			516,759
As at 30 June 2020			
Segment Assets	9,999,376	5,327,787	15,327,163
<i>Reconciliation of segment assets to group assets:</i>			
■ Intra-segment eliminations	-	(5,105,669)	(5,105,669)
Total assets			10,221,494
Segment Liabilities	5,299,048	815,762	6,114,810
<i>Reconciliation of segment liabilities to group liabilities</i>			
■ Intra-segment eliminations	(5,105,669)	-	(5,105,669)
Total liabilities			1,009,141

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2020

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. This interim financial report is intended to provide users with an update on the latest annual financial statements of Skin Elements Limited and controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in combination with the annual financial statements of the Group for the year ended 30 June 2020, together with any public announcements made during the half-year.

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 22 March 2021 by the Directors of the Company.

13.1.3 Comparative figures

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

13.1.4 New and Amended Standards Adopted by the Group

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group are:

 AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*

 AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*

 AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*

 AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*

 AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*

 AASB 2020-4 *Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions*

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.

13.2.1 Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 21, are in accordance with the *Corporations Act 2001* (Cth) and:
 - (a) comply with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - (b) give a true and fair view of the financial position as at 31 December 2020 and of the performance for the half-year ended on that date of the Company.
2. in the Directors' opinion 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 made in accordance with a resolution of the Board of Directors pursuant to s303(5) of the *Corporations Act 2001* (Cth) and is signed for and on behalf of the directors by:



PETER MALONE

Managing Director

Dated this Monday, 22 March 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Skin Elements Limited

Report on the Half-Year Financial Report

Qualified conclusion

We have reviewed the half-year financial report of Skin Elements Limited (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, except for the effects of the matter described in the *Basis for qualified conclusion* section, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 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 qualified conclusion

As part of the review of the prior period half-year financial report, we were unable to satisfy ourselves as to the appropriateness and reliability of the forecast of future cash flows that were included in the impairment model to support the carrying value of the Intangible assets as at 31 December 2019. As a result, we were unable to determine whether any adjustments to the carrying value of the Intangible asset in the statement of financial position were necessary for the period ended 31 December 2019 and a qualified conclusion was issued on the 31 December 2019 half-year financial report.

Our opinion on the current period's financial report is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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.

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 2020 and its financial 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

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', is written over a faint, stylized 'BDO' logo.

Glyn O'Brien

Director

Perth, 22 March 2021



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