



Annual Report

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**SuprCuvr™
Evolution**

Corporate directory

Current Directors

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

Company Secretary

Filippo (Phil) Giglia

Registered Office

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WEST PERTH WA 6005
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Email: info@senatural.com
Website: www.skinelementslimited.com

Auditors

BDO Audit (WA) Pty Ltd
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
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
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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 or the Company**) and its controlled entities (collectively **the Group**), for the financial year ended 30 June 2022.

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 year are:

-  Peter Malone Executive Chairman and Chief Executive Officer
-  Filippo (Phil) Giglia Independent Non-Executive Director
-  Lee Christensen Independent Non-Executive Director (*Appointed on 31 August 2021*)
-  John Poulsen Independent Non-Executive Director (*Resigned on 31 August 2021*)

(the Directors or the Board)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. For additional information on Directors including details of the qualifications of Directors please refer to paragraph 6 *Information relating to the Directors* of this Directors Report.

2. Company secretary

The following persons held the position of Company Secretary at the end of the financial year:

-  Filippo (Phil) Giglia Please refer to paragraph 6 *Information relating to the Directors* of this Directors Report.

3. Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 30 June 2022.

4. Significant changes in the state of affairs

4.1. Issue of shares, options, and notes

During the year, Skin Elements Limited had the following changes in its capital structure:

-  Raised \$2,100,000 cash in October 2021 through placement of 26,250,000 ordinary fully paid shares.
-  Issued 112,000,000 Performance Rights to Directors and Executives as detailed in 12.5.

There have been no other significant changes in the state of affairs of the Group during the financial year ended 30 June 2022 other than disclosed elsewhere in this Annual Report.

5. Operating and financial review

5.1. Nature of Operations and Principal Activities

Skin Elements Limited is a developer, manufacturer, distributor, and retailer of its leading proprietary all-natural anti-microbial SE Formula™. The SE Formula™ is used in the Company's proprietary brands including Invisi-Shield SuprCuvr plant-based hospital grade disinfectant range the Soleo Organics natural sunscreen brand, the PapayaActivs therapeutic skincare range and the Elizabeth Jane Natural Cosmetics.

5.2. Operations Review

5.2.1. SuprCuvr Hospital Grade Disinfectant

SuprCuvr is a TGA registered hospital-grade disinfectant made from a 100% plant-based formula. Independent laboratory tests have confirmed that SuprCuvr has 99.99999% (7 log reduction) effectiveness against COVID 19 and other germs and is the first and only approved disinfectant globally with a 99.99999% efficacy against COVID 19.

The combination of TGA registration with high efficacy in a 100% plant-based organic certified formula presents a significant market opportunity for SuprCuvr including in large-scale settings where disinfectants are deployed.

SKN has now commenced development of marketing programs to drive revenue through its distribution channels and online retail store.

5.2.2. SuprCuvr Distribution Agreement with Pacific Health

Skin Elements entered into a binding Agreement with Pacific Health Care Pty Ltd (Pacific Health) for the exclusive distribution of SuprCuvr in Australia and New Zealand in the previous quarter (ASX announcement, 17 January 2022).

Pacific Health Care was established in Perth in 1987, and has a successful track record of selling and distributing a range of consumable medical products into the Australian medical industry.

Its customers include, state governments (NSW Health, WA Health, Queensland Health and Tasmania Health), hospitals (St John of God Hospitals and Perth Children's Hospital), clinics, aged care facilities, general practitioners and dentists, surgical and medical sub-distributors, veterinary clinics, and at home patients.

Directors' report

The Agreement represents the next step in the commercialisation strategy for SuprCuvr. It allows Skin Elements to leverage off Pacific Health's existing health distribution networks and drive sales into the Australian and New Zealand markets, and underpin the Company's operations to further execute its global commercialisation strategy.

The Agreement is for an initial term of 12 months, which will be extended for up to an additional 48 months in total subject to achievement of minimum sales volumes each year. The Agreement targets sales volumes of 1.2 million litres of SuprCuvr in year one, and total sales volumes of 5.5692 million litres over the duration of the Agreement, subject to the achievement of annual sales targets.

During the year Pacific Health continued to make strong progress in establishing a broad-based distributor network for SuprCuvr, with a focus on the government, corporate and retail sectors. SKN has delivered over 88,000 units of SuprCuvr for invoice value of over \$1.2m. Pacific Health has paid \$200k of this with the balance to be paid over the coming months.

Skin Elements has granted extended payment terms to Pacific Health on the current order to facilitate entry into these markets and generate cashflows that may facilitate payments and orders to Skin elements in the near future.

Pacific Health also made presentations to key private hospitals in WA and other states, and has undertaken trials with mining companies, education campuses, and transport and logistics centres in WA.

In the retail space, SuprCuvr is currently stocked in 168 IGA and 15 Good Grocer IGA supermarkets in Western Australia, and is also available through Pacific Health's online store; www.pacifichealthcare.com.au.

5.2.3. Other Distribution Opportunities

Skin Elements also progressed a number of other distribution opportunities for SuprCuvr, and other products from its range, in a number of international markets.

This included a distribution opportunity for SuprCuvr in New Zealand and Hong Kong. The Company is also examining opportunities in Indonesia and Taiwan.

The Company also commenced discussions in respect of a potential distribution agreement for the Soléo Organics sunscreen range in the United Kingdom.

These discussions are of a positive nature and are all ongoing, but there is no certainty that any sales or distribution agreements will be entered into. Skin Elements will update the market on any material progress on these, or any other, sales or distribution discussions.

5.2.4. Expanding the SuprCuvr Product Range

Skin Elements is actively seeking to expand the SuprCuvr product range by offering new products at different price points. The Company is investigating the development of such a SuprCuvr product for sale in the supermarket and cleaning sectors.

5.2.5. Other Product Extensions

The Company is also investigating a number of potential opportunities to extend the application of SuprCuvr beyond its use as a hospital-grade disinfectant. The disinfectant market is the core focus for Skin Elements with SuprCuvr, but its unique combination of high-efficacy and plant-based natural formula also provides options to extend the product into other uses.

Independent laboratory tests were conducted on the anti-fungal capacity of SuprCuvr. Specifically, it was tested for efficacy against black mould (*Aspergillus niger*) and *Candida albicans*, a highly prevalent source of fungal infections in humans.

The independent tests successfully confirmed SuprCuvr's efficacy in providing protection against these moulds and fungi. This positive outcome has the potential to open up new product applications for SuprCuvr, and the Company plans to progress these opportunities to expand the SuprCuvr product range.

In a household setting, mould and fungus are major problems in spaces that have dampness or a lack of ventilation, and can be a health hazard. Typically, products used to prevent or minimise such impacts are chemically-based, and the opportunity to use SuprCuvr's 100% plant-based formula in these environments has the potential to provide an effective alternative solution.

5.2.6. Marketing

Skin Elements continued to support sales and marketing efforts through the development of video advertisements and marketing materials, and updating SuperCuvr packaging to reduce costs and simplify production.



Directors' report

5.2.7. Soleo Organics Sunscreen

Soléo Organics is a natural and organic sunscreen. It provides very high protection (SPF30), broad spectrum sun protection from both UV-A and UV-B solar radiation while providing natural moisturising skin care from its botanical-extract ingredients.

The Soleo Organics sunscreen range is now fully available, and the Company has updated and optimised its www.soleoorganics.com and www.sknlife.com online store websites to drive sales through these channels, with a view to attracting more international sales and driving larger volume sales.

The Company also prepared presentations and sales materials for national and international retail outlet channels.

During the year the Soleo Organics' High Performance Coconut Sunscreen and Face Moisturising Sunscreen were both selected as finalists in the Clean Beauty Awards for 2022.

5.2.8. Appointment of New Director

On 31 August 2021, SKN appointed Mr Lee Christensen to the Board as a Non-Executive Director. Mr Christensen's appointment brings broad experience and skills to the Board, assisting the Company develop its corporate strategy and governance as it transitions from research & development to commercial operations.

Mr Christensen's appointment follows the resignation of Mr John Poulsen as a Non-Executive Director.

5.2.9. Research & Development Rebate (R&D)

With the Company focus on development of its natural antimicrobial technologies, SKN has received approval and payment from AusIndustry for the 2021 R&D Rebate of \$989K and recognised \$984K R&D Rebate for the R&D expenditure invested in the twelve months to 30 June 2022 which was received in September 2022.

5.2.10. Placement raises \$2.1 million

During the period, the Company completed a placement of 26,250,000 ordinary fully paid shares at \$0.08 each raising \$2.1 million cash under the Company's LR7.1 and 7.1A placement capacity. The funds were used to fund its stated business plans including the launch of its new TGA registered SuprCuvr plant-based hospital grade disinfectant and provided working capital for the Company.

5.2.11. LDA Capital \$20 million equity funding facility

On 6 April 2021 SKN announced it had entered into 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 the next 36 months (ASX announcement, 6 April 2021).

The Agreement enables Skin Elements to issue shares to LDA Capital over the next three years at the Company's discretion at a floor price to be determined by Skin Elements and receive funds for the issue of those shares.

The Agreement allows Skin Elements to access committed equity capital on a flexible basis by managing the timing and size of each capital drawdown. The Agreement ensures that Company has access to additional equity capital as required to support its growth into new markets, support existing sales channels and fund the anticipated commercial scale sales and distribution opportunities for SuprCuvr and the Company's other product lines.

As part consideration for entering into POA, 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 reassessed to \$53,000 due to the time value of money and the amount of \$492,208 is recognised as a fair value gain to P&L.

The Company also has on issue 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.

The Company is 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. It was agreed between SKN and LDA Capital to release 2,000,000 SKN collateral shares held by LDA Capital in lieu of the first initial commitment fee of \$100,000 cash (price of \$0.05 each). This amount has been bought to account as a pre-paid capital raising cost.

5.2.12. Entitlement Issue to raise over \$2 million

The Company has advised that it will be undertaking a non renounceable pro rata entitlement issue at an issue price of \$0.08 per share on the basis of one (1) new share for every fifteen (15) ordinary shares held. Shareholders who subscribe for the entitlement issue will also receive one attaching listed option for every two new shares issued, exercisable at \$0.10 and expiring on 15 March 2024.



Directors' report

Under the entitlement issue up to 25,298,484 shares and 12,649,242 attached options will be issued to raise up to \$2,023,879 (before costs). An updated timetable has been announced with the issue of a prospectus and entitlement application forms in October 2022 with completion in November 2022.

5.3. Financial Review

5.3.1. Key profit and loss measures

	Movement (increase/ decrease)	Movement \$	2022 \$	2021 \$
🌱 Revenues from ordinary activities	<i>increased</i>	1,119,589	1,408,330	288,741
🌱 Loss from ordinary activities after tax	<i>decreased</i>	1,461,613	(1,580,910)	(3,042,523)
🌱 EBITDA	<i>decreased</i>	(1,388,116)	(1,161,371)	(2,549,487)

5.3.2. Key net asset measures

	Movement (increase/ decrease)	Movement \$	2022 \$	2021 \$
🌱 Cash and cash equivalents	<i>increased</i>	460,418	748,050	287,632
🌱 Working capital (excluding prepayments)	<i>increased</i>	457,611	1,267,954	810,343
🌱 Net tangible assets	<i>increased</i>	849,514	2,161,939	1,312,425
🌱 Net assets	<i>increased</i>	449,434	10,052,009	9,602,575

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.

5.4. Key Business Risks

The Group is subject to various risk factors. Some of these are specific to its business activities while others are of a more general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of the Group.

5.4.1. Impact of Coronavirus (COVID-19) Pandemic

SKN has continued to operate from West Perth premises during the period. Notwithstanding the easing of COVID-19 restrictions during the period the Company continues to experiencing some delay in orders from national and international distributors, increased travel costs and reduced ability to meet with distributors and new customers, increased costs and shipment timeframes for national and international freight, and production and the delivery Timeframes from its contract manufacturers in Victoria and Queensland.

5.4.2. Laws, regulations and geopolitical landscape

SKN operates in a highly regulated industry in all markets in which goods are manufactured and sold. Changing geopolitical landscapes and regulations in each of these jurisdictions may impact many aspects of our operations, including tax assessment and dividend payments to the Group and all aspects of the supply chain (access to raw materials, production, manufacturing, pricing, marketing, advertising, labour, distribution, and product sales). Remaining compliant with, abreast of, and responsive to changes (some of which can significantly impact the nature of operations in these markets) requires diligent monitoring and responsiveness by the business.

5.4.3. Reputation and brand

The strength of SKN's brand and its portfolio is key to business success. Managing the reputation of brands, and mitigating events that may damage brands (e.g. inaccurate media coverage, product quality issues, counterfeit product, third party supplier negligence or incidents, unsatisfactory supplier performance, etc.) is critical to SKN's ongoing success.

5.4.4. Cybersecurity and data management

Data and information security is essential to protect business critical intellectual property and data privacy. Continuing advances in technology, systems, and communication channels mean increasing amounts of private and confidential data are now stored electronically. This, together with increasing cybercrime, heightens the need for robust data security measures.

5.4.5. Key partnerships

SKN relies on select key markets and customers (distributors and retailers) to support sales and delivery of strategic initiatives. Suboptimal performance of these markets or key customers, and/or detrimental shifts in market power, could have a significant impact on SKN's ability to deliver against strategic initiatives.

Directors' report

5.4.6. People and culture

SKN's ability to deliver on strategic targets is reliant on retaining and attracting experienced, skilled, and motivated talent. It also requires strong, resilient, and effective leaders as the business grows at pace.

5.4.7. Safety, health and wellbeing

SKN cares about the physical and psychological safety, health and wellbeing of our customers, team members and business partners, including employees of our suppliers. We are committed to creating a safe and supportive environment for everyone working with, using, and impacted by our products and brand. Throughout the COVID-19 pandemic and in the last 2 years in particular, SKN has ensured that measures were in place to protect our team members and business partners as a matter of priority.

5.4.8. Consumer and marketplace

Unanticipated changes in consumer preferences and demand, or competitive pressures that significantly alter the market landscape (e.g. COVID-19, online channel growth, acquisitions, aggressive price wars) can have adverse effects on the business' ability to capture growth opportunities or effectively manage inventory and supply.

5.4.9. Significant business interruption

SKN's current scope of operations could expose it to a range of business disruption risks, such as environmental catastrophes, pandemics (such as COVID-19), natural and manmade hazards and incidents, or politically motivated violence or actions. Significant business disruption could result in SKN's sites or employees being harmed or threatened, loss of key infrastructure, impacts to supply chain, manufacturing and inventory shortages or loss, financial and reputation impacts.

5.4.10. Climate and sustainability

SKN's high quality and sustainability standards together with limited availability of natural ingredients, puts pressure on the continuous supply of some key products. SKN's ability to effectively respond to and manage the impacts of climate related change and changing markets is key to the company's values, commitments and growth initiatives.

5.4.11. Business transformation

The business continues to focus on transformation initiatives that support effective and efficient end-to-end processes. Delivery of these initiatives will be critical to SKN's ability to optimise our existing asset base and drive efficiencies while sustaining growth.

5.4.12. Financial and treasury

Major events in financial markets (e.g. fluctuations to currency, interest rates, FX, cost of capital, banking/commercial credit, etc.), economic, political, social and/ or major business event (e.g. product recall, pandemics like COVID-19 etc.) can significantly impact the business' profitability, cash flow and results. Our ability to hold sufficient liquidity to ensure the fulfilment of all payment obligations, and the management of capital and availability of funding, are important requirements to support business operations and growth.

5.5. Events Subsequent to Reporting Date

Subsequent to 30 June 2022, the Company received \$984k from Research and Development Tax Incentives.

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 12 *Events subsequent to reporting date*.

5.6. Future Developments, Prospects, and Business Strategies

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

-  The Company will place equity and receive up to \$20 million in committed equity capital over the next 21 months under the equity funding facility with LDA Capital.
-  The Company will undertake future capital raising through an 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.



Directors' report

5.7. Environmental Regulations

The Group's operations are not subject to significant environmental regulations in the jurisdictions it operates in, namely Australia.

The Directors have considered the enacted *National Greenhouse and Energy Reporting Act 2007* (the NGER Act) which introduced a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act has no effect on the Company for the current, nor subsequent, financial year. The Directors will reassess this position as and when the need arises.

6. Information relating to the Directors

 Peter Malone	○ Executive Chairman and Chief Executive Officer (<i>Appointed 4 September 2015</i>) Non-independent	
	Qualifications	○ B.Arch. MBA
	Experience	○ Mr Malone has over 30 years' experience in global financial markets and has been responsible for raising AUD\$100m+ for technology development companies. He has a proven track record in developing and managing technology development programs, from idea stage to reality. Previous CEO to listed companies, he has a master's degree from UWA and has taught and consulted in Australia, USA, Europe and Asia in business and management. Mr Malone is responsible for the strategic direction of the Group and is its Managing Director and Chief Executive Officer of the Company.
	Interest in Shares and Options	○ 26,452,596 Ordinary Shares 127,000,000 Performance rights
Directorships held in other listed entities during the prior three years ○ None		
 Filippo (Phil) Giglia	○ Non-Executive Director (<i>Appointed 22 November 2017</i>) Chairman of the Audit Committee, Remuneration Committee and Nomination Committee, Company Secretary (<i>Appointed 9 March 2021</i>) Independent	
	Qualifications	○ B.Bus, CA, Registered Company Auditor, Registered Tax Agent
	Experience	○ Mr Giglia joined the Skin Elements' Board in November 2017. Mr Giglia is a Chartered Accountant with more than 25 years' experience in senior roles, with a strong depth of expertise in the small to medium enterprise sector. Mr Giglia worked for leading global accountancy firm Price Waterhouse Coopers from 1985 to 1991. He is the founder and principal of Perth accountancy practice, Giglia & Associates, and is also a director of Global Marine Enclosures Pty Ltd. Mr Giglia has a Bachelor of Business (with Distinction) from Curtin University, and is a Member of the Institute of Chartered Accountants in Australia and New Zealand.
	Interest in Shares and Options	○ 4,224,397 Ordinary Shares 10,000,000 Performance rights
Directorships held in other listed entities during the prior three years ○ None		
 Lee Christensen	○ Non-Executive Director (<i>Appointed 31 August 2021</i>) Independent	
	Qualifications	○ B.Law (Hons), B.Jurisprudence, B.Com
	Experience	○ Mr Christensen is the principal of CX Law, a progressive legal practice in Perth, Western Australia. He has over 30 years' experience as a barrister and solicitor in corporate and commercial law particularly restructuring and solvency, and ASX and ASIC regulatory matters.
	Interest in Shares and Options	○ 37,500 Ordinary Shares 2,000,000 Performance rights

Directors' report

Directorships held in other listed entities during the prior three years ☐ Mr Christensen currently is Non-executive Chairman of Titanium Sands Limited (ASX: TSL) since April 2015.

Former Directors

 John Poulsen	☐ Non-Executive Director (Resigned 31 August 2021) Independent
Qualifications	☐ B.Law (Hons), B.Jurisprudence
Experience	☐ Mr Poulsen joined the Skin Elements Board in October 2020. Mr Poulsen has over 37 years' experience in finance, commercial and public policy law in Australia. He was formerly the Managing Partner and CEO of Squire Patton Boggs (previously Minter Ellison) a top 10 Global Law Firm.
Interest in Shares and Options	☐ 120,000 Ordinary Shares
Directorships held in other listed entities during the prior three years	☐ None

7. Meetings of directors and committees

During the financial year, ten meetings of Directors (including committees of Directors) were held.

	DIRECTORS MEETINGS		REMUNERATION AND NOMINATION COMMITTEE		AUDIT AND RISK COMMITTEE		FINANCE AND OPERATIONS COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Peter Malone	7	7	1	1	2	2	<i>The Finance and Operations Committee comprise the full Board. The Board believes the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate committee. Accordingly, all matters capable of delegation to such committees are considered by the full Board.</i>	
Filippo (Phil) Giglia	7	7	1	1	2	2		
Lee Christensen ¹	6	6	-	-	-	-		
John Poulsen ²	1	1	-	-	-	-		

¹ Mr Lee Christensen was appointed on 31 August 2021

² Mr John Poulsen was resigned on 31 August 2021.

7.1. Risk management

The Board takes a pro-active approach to risk management. The Board is ultimately responsible for ensuring that risks and opportunities are identified on a timely basis and the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has established an Audit and Risk Committee that operates under a charter approved by the Board. The purpose of the Audit and Risk Committee is to assist the Board in fulfilling its corporate governance, oversight, risk management and compliance practices responsibilities.

8. Indemnifying officers or auditor

8.1. Indemnification

During the financial year the Company paid a premium in respect of a contract insuring the Directors and officers of the Company against a liability incurred by such directors and officers to the extent permitted by the Corporations Act 2001. The Company has not otherwise during or since the end of the year, indemnified, or agreed to indemnify an officer or an auditor of the Company, or of any related body corporate, against a liability incurred by such an officer or auditor.

8.2. Insurance premiums

During the year, the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. In accordance with the policy, the amount of premium cannot be disclosed.

Directors' report

9. Options

9.1. Unissued shares under option

At the date of this report, the unissued ordinary shares of the Company under option (listed and unlisted) are as follows:

Grant Date	Date of Expiry	Exercise Price \$	Number under Option
1 March 2021	15 March 2024	0.12	10,000,000
1 March 2021	15 March 2024	0.15	10,000,000
1 March 2021	15 March 2024	0.18	4,000,000
1 March 2021	15 March 2024	0.22	2,000,000
			26,000,000

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of the Company or any other body corporate.

9.2. Shares issued on exercise of options

At the date of this report, no ordinary shares have been issued by the Company during the financial year as a result of the exercise of options (2021: 35,864,396).

10. Auditor's independence and non-audit services

10.1. 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 year ended 30 June 2022 has been received and can be found on page 16 and forms part of this Directors' report for the year ended 30 June 2022.

10.2. Non-audit services

During the year, BDO Corporate Tax (WA) Pty Ltd provided professional advisory services to assist the Group with the preparation of *Research & Development Tax* rebate registration. Fees for this service amounted to \$16,122 (2021: \$18,777).

Details of remuneration paid to the auditor can be found within the financial statements at note 16 *Auditor's Remuneration* on page 50.

As non-audit services are provided by BDO, the Board followed certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth). These procedures include:

-  non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
-  ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

11. Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* (Cth) for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001* (Cth).

Directors' report

12. Remuneration report (audited)

This report outlines the remuneration arrangements in place for the key management personnel of Skin Elements Limited (the **Company** or **Group** or individually **Skin Elements**) for the financial year ended 30 June 2022 and comparatives for the year ended 30 June 2021. The information in this remuneration report has been audited as required by s308(3C) of the *Corporations Act 2001* (Cth).

12.1. Key management personnel (KMP) covered in this report

For the purposes of this report KMP of Skin Elements are defined as those persons having authority and responsibility for planning, directing, and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company and all KMP. KMP comprise:

Directors

- Peter Malone Executive Chairman and Chief Executive Officer
- Filippo (Phil) Giglia Independent Non-Executive Director
- Lee Christensen Independent Non-Executive Director (*Appointed on 31 August 2021*)
- John Poulsen Independent Non-Executive Director (*Resigned 31 August 2021*)

Other key management personnel

- Leo Fung Chief Technical Advisor
- Craig Piercy Chief Financial Officer

12.1.1. Changes since the end of the reporting period

There have been no other changes since the end of the reporting period.

12.2. Principles used to determine the nature and amount of remuneration

12.2.1. Remuneration Policy

The Board has established a Nomination and Remuneration Committee. The Committee shall provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities, however, ultimate responsibility for the Company's nomination and remuneration practices remains with the Board. The main functions and responsibilities of the Committee include the following:

-  assisting the Board in examining the selection and appointment practices of the Company;
-  ensuring remuneration arrangements are equitable and transparent and enable the Company to attract and retain executives and directors (executive and non-executive) who will create sustainable value for members and other stakeholders;
-  ensuring the Board is of an effective composition, size, and commitment to adequately discharge its responsibilities and duties;
-  reviewing Board succession plans and Board renewal;
-  reviewing the processes for evaluating the performance of the Board, its committees and individual directors and ensuring that a fair and responsible reward is provided to executives and directors having regard to their performance evaluation;
-  reviewing levels of diversity within the Company and Board and reporting on achievements pursuant to any diversity policy developed by the Board;
-  reviewing the Company's remuneration, recruitment, retention and termination policies for the Board and senior executives; and
-  complying with all relevant legislation and regulations including ASX Listing Rules and *Corporations Act 2001* (Cth).

12.2.2. Remuneration structure

The Group's policy for determining the nature and amount of remuneration of KMP is as follows:

a. Non-Executive Directors

The remuneration of non-executive Directors will be determined by the Board having regard to the Remuneration Committee's recommendations and evaluation of each individual Director's contribution to the Board.

The maximum aggregate annual remuneration of non-executive directors is subject to approval by the shareholders in general meeting in accordance with the Company's Constitution, the ASX Listing Rules and the *Corporations Act 2001* (Cth). The current maximum aggregate remuneration amount to non-executive directors approved by shareholders under the Constitution is \$500,000 per year. The Directors have resolved that fees payable to non-executive directors for Board activities are \$24,000 per year with an additional fee of \$2,000 per year payable to the Chairman of the Audit and Risk Committee and the Nomination and Remuneration Committee.

Directors' report

12. Remuneration report (audited)

b. *Executive Directors and other Senior Executives*

The Company's remuneration policy reflects the Company's obligation to align executive remuneration with shareholders' interests and to engage appropriately qualified executive talent for the benefit of the Company. In particular, reward should reflect the competitive global market in which the Company operates, individual reward should be linked to performance criteria, and should reward both financial and non-financial performance of the Director.

The Board and the *Nomination & Remuneration Committee* are in the process of assessing and implementing the Company's executive reward framework to ensure reward for performance is competitive and appropriate for the results delivered.

12.2.3. *Performance Based Remuneration – Short-term and long-term incentive structure*

The Board will review short-term and long-term incentive structures from time to time. Any incentive structure will be aligned with shareholders' interests.

a. *Short-term incentives*

No short-term incentives in the form of cash bonuses were granted during the year.

b. *Long-term incentives*

The Company has in place an Equity Incentive Plan to provide Performance Rights, Options, or Restricted Shares to Directors, Employees, or contractor of the Company. For the year ended 30 June 2022 other than as set out in the Share-based Compensation – Employee Incentive Plan all executive remuneration is set at base level fixed amounts at commensurate market rates or lower. The Equity Incentive Plan aligns shareholder and stakeholder values with executives as the hurdles embedded in the incentive plans include target share price milestones which are typically set at prices above the current share price at the date of issue and expire within a defined timeframe.

The executive Directors will be eligible to participate in any short term and long-term incentive arrangements operated or introduced by the Company (or any subsidiary) from time to time.

The relative proportions of executive remuneration that is fixed or at risk is outlined below:

Group KMP	Contract Commencement / Termination Date	Proportions of Elements of Remuneration Not Related to Performance (Fixed remuneration)		Proportions of Elements of Remuneration Related to Performance (At Risk – LTI)	
		2022	2021	2022	2021
		%	%	%	%
Peter Malone	Appt 4.9.2015 ⁽¹⁾	70	89	30	11
Filippo (Phil) Giglia	Appt 22.11.2017	95	100	5	-
Lee Christensen	Appt 31.08.2021	98	-	2	-
John Poulsen	Ceased 31.08.2021	100	100	-	-
Craig Piercy	Appt 29.11.2019 ⁽¹⁾	86	100	14	-
Leo Fung	Appt 18.02.2019 ⁽¹⁾	86	100	14	-

⁽¹⁾ These appointment dates are for the ultimate holding company Skin Elements Limited. Mr Malone, Mr Piercy, and Mr Fung were appointed as executives of wholly owned subsidiary SE Operations Pty Ltd on 1 March 2005.

12.2.4. *Service agreements*

Remuneration and terms of employment for other key management personnel are formalised in consultancy and employment agreements. The major provisions relating to remuneration to existing directors are set out below.

a. *Executive Agreement*(1) **Peter Malone** *Executive Chairman*

The Company has entered into a consultancy agreement with Boston Technology Management Pty Ltd (**Boston Consultancy Agreement**) to provide services to the Group. Mr Peter Malone is engaged by Boston Technology Management Pty Ltd to act as the Executive Chairman and Chief Executive Officer of the Group. Boston Technology Management Pty Ltd is paid a consulting fee of A\$20,000 (plus GST) per month for at least 100 hours of service per month and is reimbursed for reasonable expenses incurred in the performance of its duties.

Directors' report

12. Remuneration report (audited)

The Boston Consultancy Agreement is on a continuing basis unless terminated by either party. The Boston Consultancy Agreement contains standard termination provisions under which the Company must give 3 months' written notice of termination (or shorter period in the event of a material breach) or alternatively payment in lieu of service. At the end of the notice period the Company must pay to - Boston Technology Management Pty Ltd an amount equal to the consulting fee that would otherwise be payable to Boston Technology Management Pty Ltd over the 3-month period if the engagement had not been terminated.

(2) **Leo Fung** *Chief Technical Advisor*

The Company has entered into a consultancy agreement with Blackridge Group Pty Ltd (Blackridge Consultancy Agreement) to provide services to the Group. Mr Leo Fung is engaged by Blackridge Group Pty Ltd to act as the Chief Technical Advisor of the Group. Blackridge Group Pty Ltd is paid a consulting fee of A\$13,000 (plus GST) per month for at least 100 hours of service per month and is reimbursed for reasonable expenses incurred in the performance of its duties.

The Blackridge Consultancy Agreement is on a continuing basis unless terminated by either party. The Blackridge Consultancy Agreement contains standard termination provisions under which the Company must give 3 months written notice of termination (or shorter period in the event of a material breach) or alternatively payment in lieu of service. At the end of the notice period the Company must pay to Blackridge Group Pty Ltd an amount equal to the consulting fee that would otherwise be payable to Blackridge Group Pty Ltd over the 3-month period if the engagement had not been terminated.

(3) **Craig Piercy** *Chief Financial Officer*

The Company has entered into a consultancy agreement with Boston Technology Management Pty Ltd (Boston Consultancy Agreement) to provide services to the Group. Mr Craig Piercy is engaged by Boston Technology Management Pty Ltd to act as the Company Secretary and Chief Financial Officer of the Group. Boston Technology Management Pty Ltd is paid a consulting fee of A\$13,000 (plus GST) per month for at least 100 hours of service per month and is reimbursed for reasonable expenses incurred in the performance of its duties.

The Boston Consultancy Agreement is on a continuing basis unless terminated by either party. The Boston Consultancy Agreement contains standard termination provisions under which the Company must give 3 months written notice of termination (or shorter period in the event of a material breach) or alternatively payment in lieu of service. At the end of the notice period the Company must pay to Boston Technology Management Pty Ltd an amount equal to the consulting fee that would otherwise be payable to Boston Technology Management Pty Ltd over the 3-month period if the engagement had not been terminated. These amounts have been included in the remuneration report below.

12.2.5. Engagement of Remuneration Consultants

During the financial year, the Company did not engage any remuneration consultants.

12.2.6. Relationship between Remuneration of KMP and Earnings

In considering the Group's performance and benefits for shareholders wealth, the Board has regard to the following indices in respect of the current financial year and the previous four financial years (where applicable). Reported below are measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001* (Cth). However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded:

As at 30 June	2022	2021	2020	2019	2018
Revenue (\$)	1,408,330	288,741	425,167	798,107	838,292
Loss for the year attributable to owners of the Company (\$)	(1,580,910)	(3,042,523)	(1,910,234)	(1,967,761)	(2,728,114)
Basic earnings per share (cents)	(0.40)	(0.87)	(0.85)	(1.46)	(3.49)
Dividend payments (\$'000)	Nil	Nil	Nil	Nil	Nil
Dividend payout ratio (%)	N/A	N/A	N/A	N/A	N/A
Share price (cents per share) ^{1, 2}	2.60	10.00	8.00	2.16	2.80
Increase/(decrease) in share price (%)	(74.00)	25.00	270.37	(22.86)	(78.63)

¹ FY2021: At last trade date, 14 January 2021. Company at the 30 June 2021 balance date

² FY2020: At last trade date, 8 May 2020. Company was suspended until reinstatement on 16 October 2020.

Directors' report

12. Remuneration report (audited)

12.3. Directors and KMP remuneration

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the Group. Such amounts have been calculated in accordance with Australian Accounting Standards.

2022– Group										
Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity	Performance Rights	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Peter Malone	240,000	-	-	-	-	-	-	-	85,419	325,419
Filippo (Phil) Giglia	74,455	-	-	-	-	-	-	-	6,738	81,193
Lee Christensen	50,000	-	-	-	-	-	-	-	1,348	51,348
John Poulsen	2,000	-	-	-	-	-	-	-	-	2,000
Craig Piercy	156,000	-	-	-	-	-	-	-	11,607	167,607
Leo Fung	156,000	-	-	-	-	-	-	-	11,607	167,607
	678,455	-	-	-	-	-	-	-	116,719	795,174

2021 – Group										
Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity	Performance Rights	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Peter Malone ⁽¹⁾	240,000	-	-	-	-	-	-	-	28,515	268,515
Filippo (Phil) Giglia ⁽²⁾	26,000	-	-	-	-	-	-	-	-	26,000
John Poulsen ⁽³⁾	16,000	-	-	-	-	-	-	-	-	16,000
Craig Piercy ⁽⁴⁾	156,000	-	-	-	-	-	-	-	-	156,000
Leo Fung ⁽⁵⁾	156,000	-	-	-	-	-	-	-	-	156,000
	594,000	-	-	-	-	-	-	-	28,515	622,515

⁽¹⁾ Peter Malone, fees paid to Boston Technology Management Pty Ltd.

⁽²⁾ Filippo (Phil) Giglia, fees paid to Colosseum Securities Pty Ltd, agreement commenced on 22 November 2017.

⁽³⁾ John Poulsen was resigned on 31 August 2021.

⁽⁴⁾ Craig Piercy, fees paid to Boston Technology Management Pty Ltd. Mr Piercy resigned as executive director on 29 October 2020.

⁽⁵⁾ Leo Fung, fees paid to Blackridge Group Pty Ltd who engage Leo Fung.

Directors' report

12. Remuneration report (audited)

12.4. Share-based compensation

12.4.1. As at the date of this report the Company had the following securities on issue/lapse in connection with KMP share-based payments:

2022– Group		Number of rights at the start of the year/grant date	Value of rights at grant date ⁽¹⁾	Number of rights vested during the year	Value of rights at vesting date ⁽¹⁾	Number of rights lapsed during the year	Value at lapse date
Group KMP	Type of rights	No.	\$	No.	\$	No.	\$
Peter Malone	2019	27,000,000	116,640	-	-	-	-
	2022 Class A	50,000,000	100,000	-	-	-	-
	2022 Class B	50,000,000	902,363	-	-	-	-
Filippo (Phil) Giglia	2022 Class B	10,000,000	180,473	-	-	-	-
Lee Christensen	2022 Class B	2,000,000	36,095	-	-	-	-
Craig Piercy	2022 Class A	25,000,000	50,000	-	-	-	-
Leo Fung	2022 Class A	25,000,000	50,000	-	-	-	-
		189,000,000	1,435,571	-	-	-	-

⁽¹⁾ The value at grant date calculated in accordance with AASB2 *Share-based payments* of rights granted as part of remuneration. These have been valued at fair value determined using Black Scholes option pricing model. No adjustment has been made for the value of rights which lapsed during the year.

12.4.2. Employee Incentive Plan

The Company has established an Equity Incentive Plan (EIP) to assist in the motivation, retention and reward of senior management and other employees. The EIP is designed to align the interest of senior management and other employees with the interest of Shareholders by providing an opportunity for the participants to receive an equity interest in the Company.

12.5. KMP equity holdings

12.5.1. Fully paid ordinary shares of Skin Elements Limited held by each KMP

The number of ordinary shares in the Company held during the financial year by each Director of Skin Elements Limited and any other KMP of the Company, including their personally related parties, are as follows:

2022– Group	Balance at start of year or date of appointment	Received during the year as compensation	Received during the year on the exercise of options	Other changes during the year	Balance at end of year
Group KMP	No.	No.	No.	No.	No.
Peter Malone	26,452,596	-	-	-	26,452,596
Filippo (Phil) Giglia	4,224,397	-	-	-	4,224,397
Lee Christensen ⁽¹⁾	37,500	-	-	-	37,500
John Poulsen ⁽²⁾	120,000	-	-	-	120,000
Craig Piercy	20,019,544	-	-	(3,737,408)	16,282,136
Leo Fung	-	-	-	14,665,290	14,665,290
	50,854,037	-	-	10,927,882	61,781,919

⁽¹⁾ Lee Christensen was appointed on 31 August 2021.

⁽²⁾ John Poulsen was resigned on 31 August 2021.

Directors' report

12. Remuneration report (audited)

12.5.2. Options in Skin Elements Limited held by each KMP

There are no options over ordinary shares in the Company held during the financial year by each Director of the Company and any other KMP of the Group, including their personally related parties.

12.5.3. Performance Rights of Skin Elements Limited held by each KMP

The number of Performance Shares in the Company, directly, indirectly or beneficially, by each KMP, including their personally-related entities for the year ended 30 June 2022 is as follows:

2022- Group Group KMP	Balance at start of year or date of appointment No.	Received during the year as compensation No.	Other changes during the year No.	Balance at end of year or date of resignation No.	Maximum value yet to vest \$
Peter Malone	27,000,000	100,000,000	-	127,000,000	988,349
Filippo (Phil) Giglia	-	10,000,000	-	10,000,000	173,735
Lee Christensen ⁽¹⁾	-	2,000,000	-	2,000,000	34,747
John Poulsen ⁽²⁾	-	-	-	-	-
Craig Piercy	-	25,000,000	-	25,000,000	38,393
Leo Fung	-	25,000,000	-	25,000,000	38,393
	27,000,000	162,000,000	-	189,000,000	1,273,617

⁽¹⁾ Lee Christensen was appointed on 31 August 2021.

⁽²⁾ John Poulsen was resigned on 31 August 2021.

12.6. Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights, and shareholdings.

12.7. Other transactions with KMP and or their Related Parties

12.7.1. Other Transactions with Key Management Personnel

Entity	Nature of transactions	KMP	Total Transactions		Payable Balance	
			2022 \$	2021 \$	2022 \$	2021 \$
Boston Corporate Pty Ltd	Service Fees	Peter Francis Malone	240,000	240,000	124,863	-
Colosseum Securities Pty Ltd	Director's fee	Filippo (Phil) Leone Giglia	74,455	26,000	60,500	13,600
Pooky Corp Pty Ltd	Director's fee	Kevin Lee Christensen	50,000	-	44,000	-
Boston Corporate Pty Ltd	Service Fees	Craig Piercy	156,000	156,000	55,049	48,161
Blackridge Pty Ltd	Service Fees	Leo Fung	156,000	156,000	4,009	16,224
Pickle Pty Ltd	Director's fee	John Poulsen ¹	2,000	16,000	-	-

¹ Resigned on 31 August 2021.

There have been no other transactions in addition to those described in the remuneration report or as detailed in note 15 *Related party transactions*.

Directors' report

12. Remuneration report (audited)

12.8. Voting of shareholders at last year's annual general meeting (AGM)

The Company received 87.87% proxy votes and 88.20% poll votes of "yes" votes on its remuneration report for the 2021 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

END OF REMUNERATION REPORT

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001* (Cth).



PETER MALONE

Executive Chairman

Dated this Friday, 30 September 2022





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Australia

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

As lead auditor of Skin Elements Limited for the year ended 30 June 2022, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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', is written over a light blue horizontal line.

Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd
Perth 30 September 2022

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



Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2022

	Note	2022 \$	2021 \$
<i>Continuing operations</i>			
Revenue	1.1	1,408,330	288,741
Cost of sales		(365,174)	(98,302)
Gross profit		1,043,156	190,439
Other income	1.2	1,476,671	1,140,003
Administrative and other costs		(1,637,954)	(1,832,987)
Research and development costs		(2,024,235)	(2,244,421)
Selling and distribution costs		(425,183)	(206,429)
Operating loss		(1,567,545)	(2,953,395)
Interest and finance costs		(13,365)	(89,128)
Loss before tax	2.1	(1,580,910)	(3,042,523)
Income tax benefit	3.1	-	-
Net loss for the year		(1,580,910)	(3,042,523)
<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		(1,580,910)	(3,042,523)
<i>Earnings per share:</i>			
		¢	¢
Basic and diluted loss per share (cents per share)	17.4	(0.40)	(0.87)

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



Consolidated statement of financial position

as at 30 June 2022

	Note	2022 \$	2021 \$
<i>Current assets</i>			
Cash and cash equivalents	4.1	748,050	287,632
Trade and other receivables	4.2.1	1,357,892	1,122,891
Inventories	5.1	154,274	223,225
Other current assets	4.3.1	88,489	72,225
Financial Assets	4.6.1	502,000	502,000
Total current assets		2,850,705	2,207,973
<i>Non-current assets</i>			
Right of use asset - property, plant, and equipment		20,554	26,648
Financial Assets	4.6.1	335,942	502,000
Intangible assets	5.2	7,890,070	8,290,150
Total non-current assets		8,246,566	8,818,798
Total assets		11,097,271	11,026,771
<i>Current liabilities</i>			
Trade and other payables	4.4.1	767,733	647,998
Borrowings	4.5.1	24,529	30,990
Derivative liabilities	4.6.2	26,500	272,604
Total current liabilities		818,762	951,592
<i>Non-current liabilities</i>			
Trade and other payables	4.4.2	200,000	200,000
Derivative liabilities	4.6.2	26,500	272,604
Total non-current liabilities		226,500	472,604
Total liabilities		1,045,262	1,424,196
Net assets		10,052,009	9,602,575
<i>Equity</i>			
Issued capital	6.1.1	22,871,096	20,978,594
Reserves	6.4	229,094	91,252
Accumulated losses		(13,048,181)	(11,467,271)
Total equity		10,052,009	9,602,575

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

Consolidated statement of changes in equity

for the year ended 30 June 2022

	Note	Contributed equity \$	Accumulated losses \$	Share-based payment reserve \$	Total equity \$
<i>Balance at 1 July 2020</i>		17,607,998	(8,424,748)	29,103	9,212,353
Loss for the year attributable to the owners of the parent		-	(3,042,523)	-	(3,042,523)
Other comprehensive income for the year attributable to the owners of the parent		-	-	-	-
Total comprehensive income for the year attributable to the owners of the parent		-	(3,042,523)	-	(3,042,523)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the year (net of costs)	6.1.1	3,370,596	-	-	3,370,596
Share-based payments during the year	6.3	-	-	62,149	62,149
Balance at 30 June 2021		20,978,594	(11,467,271)	91,252	9,602,575
<i>Balance at 1 July 2021</i>		20,978,594	(11,467,271)	91,252	9,602,575
Loss for the year attributable to the owners of the parent		-	(1,580,910)	-	(1,580,910)
Other comprehensive loss for the year attributable to the owners of the parent		-	-	-	-
Total comprehensive loss for the year attributable to the owners of the parent		-	(1,580,910)	-	(1,580,910)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the year (net of costs)	6.1.1	1,892,502	-	-	1,892,502
Share-based payments during the year	6.3	-	-	137,842	137,842
Balance at 30 June 2022		22,871,096	(13,048,181)	229,094	10,052,009

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



Consolidated statement of cash flows

for the year ended 30 June 2022

	Note	2022 \$	2021 \$
<i>Cash flows from operating activities</i>			
Receipts from customers		358,355	286,286
Payments to suppliers and employees		(3,566,046)	(3,659,726)
Receipt of research and development tax incentive		1,722,914	668,418
Interest paid and facility fees		(13,365)	(89,128)
JobKeeper payment scheme and ATO cash flow boost		-	92,500
Net cash used in operating activities	4.1.2	(1,498,142)	(2,701,650)
<i>Cash flows from investing activities</i>			
Purchase of intangibles	5.2.1	-	(36,410)
Net cash used in investing activities		-	(36,410)
<i>Cash flows from financing activities</i>			
Proceeds from issue of shares	6.1.1	2,100,000	2,719,745
Share issue costs		(141,440)	-
Proceeds of borrowings		-	600,000
Repayments of borrowings		-	(500,000)
Net cash provided by financing activities		1,958,560	2,819,745
Net increase in cash and cash equivalents held		460,418	81,685
Cash and cash equivalents at the beginning of the year		287,632	205,947
Cash and cash equivalents at the end of the year	4.1	748,050	287,632

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

Notes to the consolidated financial statements

for the year ended 30 June 2022

In preparing the 2022 financial statements, Skin Elements Limited has grouped notes into sections under five key categories:

 Section A: How the numbers are calculated.....	22
 Section B: Risk	42
 Section C: Group structure	47
 Section D: Unrecognised items.....	48
 Section E: Other Information.....	49

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.

Change in Presentation

During the financial year the Group changed the presentation of the statement of profit and loss to classify expenses based on their function. This change has not affected reported profit or loss and is a change in presentation only. In accordance with accounting standards, the Group will continue to report expenditure classified by nature in the notes to the consolidated financial statements, as disclosed in 2.1 *Expenses by nature*. Comparative information has been updated to reflect this change.

Company details

The registered office of the Company is:

Street + Postal: 1242 Hay Street
WEST PERTH WA 6005



Notes to the consolidated financial statements

for the year ended 30 June 2022

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, including:

- (a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.
- (b) analysis and sub-totals.
- (c) information about estimates and judgements made in relation to particular items.

Note	1	Revenue and other income	Note	2022 \$	2021 \$
1.1		Revenue			
		Sales to customers		1,408,330	288,741
				1,408,330	288,741
1.2		Other Income			
		Research and development tax incentives grant income		984,463	988,711
		JobKeeper Payment scheme grant income		-	67,500
		ATO Cash flow boost grant income		-	25,000
		Fair value adjustment of fee options	4.6.7	492,208	58,792
				1,476,671	1,140,003

1.3 Accounting policies**1.3.1 Revenue from contracts with customers****a. Recognition**

The Group generates revenue from the delivery of goods as follows:

-  The Group sells products to external customers using several mediums which include internet sales, employees direct selling, and the use of wholesalers and businesses who purchase the product and are then responsible for their own on selling processes.
-  The internet sales are driven by the Skin Element's website which sets out pricing for the product and delivery. Each wholesaler and business customer order is specific to the client's requirements; however, for each category of customer the performance obligations cease when the Group has delivered the goods to the customers. As at 30 June 2022 the Company did not have any material customer contracts at the reporting date.

b. Revenue from selling goods

Revenue for sale of sun care and skincare products, is recognised when the customers obtain control of the goods. This usually occurs when the goods are delivered. No other products or services are bundled in such contracts. Invoices are usually payable within 30 days and no element of financing is deemed present as the services are charged within standard credit terms which is consistent with industry practice.

1.3.2 Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. The Group received the following government grants:

- a.** Research and development tax incentives received or receivable are recognised at fair value where there is a reasonable assurance that the amount will be received and the Group will comply with all attached conditions. The value of the research and development tax incentive received or receivable income is presented as part of profit or loss as other income.
- b.** JobKeeper Payment scheme and ATO Cash flow boost received have no unfulfilled conditions or other contingencies attaching to these grants. Grants related to income are presented as part of profit or loss as other income.

The Group did not benefit directly from any other forms of government assistance.

1.3.3 Interest income

Interest revenue is recognised in accordance with note 2.5a Finance expenses.

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note	2	Expenses	Note	2022 \$	2021 \$
2.1		Expenses by nature			
		Administration expenses	2.2	340,506	637,083
		Advertising and marketing expenses		425,183	206,429
		Amortisation	5.2	406,174	403,908
		Corporate expenses	2.3	294,985	372,485
		Employee benefits expense	2.4	510,500	419,708
		Occupancy costs		99,154	88,931
		Manufacturing, purchasing, and distribution costs		365,174	98,302
		Research and development expenses		2,024,235	2,244,421
		Total expenses by nature		4,465,911	4,471,267
2.1.1		<i>Reconciliation to net profit or loss before tax</i>			
		Total revenue and other income		2,885,001	1,428,744
		Less: Total expenses by nature		(4,465,911)	(4,471,267)
		Net profit before tax		(1,580,910)	(3,042,523)
2.2		Administration expenses			
		Accounting expenses		144,756	207,442
		External consulting fees		40,000	66,048
		Travel expenses		1,808	130,457
		Interest expenses and finance facility costs		13,365	89,128
		Other expenses		140,577	144,008
				340,506	637,083
2.3		Corporate expenses			
		ASX fees		60,238	58,808
		Audit expenses		66,345	72,404
		Filing fees		20,505	18,266
		Legal expenses		125,444	200,389
		Share Registry and shareholder communications		22,453	22,618
				294,985	372,485
2.4		Employee benefits expense			
		Directors' fees		106,000	42,000
		Executive services contracts		212,182	212,182
		Wages and salaries – non-R&D		54,476	103,377
		Share-based performance rights: <i>amortisation</i>	2.4.1	137,842	62,149
				510,500	419,708

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), as detailed in note 18.2.1b.

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 2 Expenses (cont.)

2.4.2 Accounting policy - Employee benefits

a. Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

b. Other long-term benefits

The Group's obligation in respect of long-term employee benefits other than defined benefit plans, such as long service leave, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the Reserve Bank of Australia's cash rate at the report date that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise. However due to the infancy of the Group, no long service leave has been accrued.

c. Retirement benefit obligations: Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

d. Equity-settled compensation

The grant by the Company of options over its equity instruments to contractors or to its employees is measured at the fair value of contractor's services (where the services can be valued) or at the fair value of the equity instruments provided (which includes employee services received) during the period. The measurement date is the grant date and the cost is recognised over the vesting period for the services received by the Company with an increase to the expense (or asset if it directly relates to the development of an asset) with a corresponding increase to equity or reserves. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

2.5 Other Significant Accounting Policies related to items of profit and loss

a. Finance expenses

Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method and include:

- interest on the bank overdraft;
- interest on short-term and long-term borrowings; and
- interest on finance leases.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note	3	Income tax	Note	2022 \$	2021 \$
3.1		Income tax expense			
		Current tax		-	-
		Deferred tax		-	-
				-	-
		<i>Deferred income tax expense included in income tax expense comprises:</i>			
		🌱 Increase / (decrease) in deferred tax assets	3.5	-	-
		🌱 (Increase) / decrease in deferred tax liabilities		-	-
				-	-
3.2		Reconciliation of income tax expense to prima facie tax payable			
		<i>The prima facie tax payable/(benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:</i>			
		Accounting loss before tax		(1,580,910)	(3,042,523)
		Prima facie tax on operating loss at 25% (2021: 26%)		(395,228)	(796,532)
		<i>Add / (Less) tax effect of:</i>			
		○ Other non-deductible expenses / (non-assessable income)		178,140	420,796
		○ Other temporary differences not recognised		217,088	375,736
		Income tax expense/(benefit) attributable to operating loss		-	-
				2022 %	2021 %
3.3		The applicable weighted average effective tax rates attributable to operating profit are as follows:		Nil	Nil
3.3.1		The tax rates used in the above reconciliations is the corporate tax rate of 26% payable by the Australian corporate entity on taxable profits under Australian tax law.			
				2022 \$	2021 \$
3.4		Balance of the parent company franking account at year end		Nil	Nil
3.5		Deferred tax assets			
		Tax losses		1,722,825	1,734,086
		Capital raising costs		-	-
				1,722,825	1,734,086
		Net deferred tax assets		1,722,825	1,734,086
		Less deferred tax assets not recognised		(1,722,825)	(1,734,086)
		Net deferred tax assets		-	-
3.6		Tax losses and deductible temporary differences			
		<i>Unused tax losses and deductible temporary differences for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:</i>			
		🌱 Tax losses		1,722,825	1,734,086
				1,722,825	1,734,086



Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 3 Income tax (cont.)

3.6.1 Potential deferred tax assets attributable to tax losses have not been brought to account at 30 June 2022 because the Directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- i. the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- ii. the Group continues to comply with conditions for deductibility imposed by law; and
- iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss.

Tax balances disclosed in the financial statements and notes, are based on the best estimates of Directors. These estimates consider both the financial performance and position of the Group as they pertain to current income taxation legislation, and the Directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the Directors' best estimate, pending an assessment by tax authorities.

The parent company has accumulated tax losses of \$6,626,251 (2021: \$6,669,563) which may be available for offset against future taxable profits of the parent company in which the losses arose. The recoupment of these losses is subject to assessment of the Australian Taxation Office.

3.7 Accounting policy

The income tax expense or benefit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate in Australia adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in Australia, where the Company's subsidiary and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities (DTLs) are recognised for all taxable temporary differences except:

- when the DTL arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets (DTAs) are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the DTA relating to a deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when a deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a DTA is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of DTAs is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised DTAs are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the DTA to be recovered. DTAs and DTLs are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. DTAs and DTLs are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the DTAs and DTLs relate to the same taxable entity and the same taxation authority.

Where the Group receives the Australian Government's Research and Development Tax Incentive, the Group accounts for the refundable tax offset under AASB 112. Funds are received as a rebate through the parent company's income tax return.

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 4 Financial assets and financial liabilities

4.1 Cash and cash equivalents

	2022 \$	2021 \$
Cash at bank	748,050	287,632
	748,050	287,632

4.1.1 The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 7 *Financial risk management*.

4.1.2 Cash Flow Information

a. Reconciliation of cash flow from operations to loss after income tax

Loss after income tax

(1,580,910) (3,042,523)

Cash flows excluded from loss attributable to operating activities:

 Non-cash flows in (loss)/profit from ordinary activities:

☐ Depreciation and amortisation

406,174 403,908

☐ Share-based payments expensed

137,842 62,149

☐ Fair value movement in derivative liabilities

(492,208) (58,792)

Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:

 (Increase)/decrease in receivables

(224,720) 79,156

 Decrease/(increase) in inventories

68,951 (67,520)

 Decrease/(increase) in payables

186,729 (78,028)

Cash flow (used in) from operations

(1,498,142) (2,701,650)

b. Reconciliation of liabilities arising from financing activities

	2020 \$	Cash flows \$	Acquisitions \$	Foreign Exchange \$	Other Changes ⁽ⁱ⁾ \$	Changes due to AASB 16 \$	2021 \$
Short-term borrowings	500,000	(500,000)	-	-	-	-	-
Other payable	-	-	-	-	400,000	-	400,000
Derivative liabilities	-	-	-	-	545,208	-	545,208
Total liabilities from financing activities	500,000	(500,000)	-	-	945,208	-	945,208

(i) Other changes related to non-cash movements related to the recognition and reduction in derivative liabilities refer to note 4.6.7.

	2021 \$	Cash flows \$	Acquisitions \$	Foreign Exchange \$	Other Changes ⁽ⁱ⁾ \$	Changes due to AASB 16 \$	2022 \$
Short-term borrowings	-	-	-	-	-	-	-
Other payable	400,000	-	-	-	(100,000)	-	300,000
Derivative liabilities	545,208	-	-	-	(492,208)	-	53,000
Total liabilities from financing activities	945,208	-	-	-	(592,208)	-	353,000

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 4 Financial assets and financial liabilities (cont.)

4.1 Cash and cash equivalents (cont.)

d. Credit and loan standby arrangement with banks

The Group has no credit standby facilities.

e. Non-cash investing and financing activities

2022

As detailed in note 4.6.3:

2,000,000 collateral shares were allocated for fees valued at \$100,000.

2021

As detailed in note 4.6.3:

27,500,000 collateral shares and 26,000,000 fee options issued to LDA Capital for nil consideration.

4.1.3 Accounting policy

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

4.2 Trade and other receivables

Note

2022

2021

\$

\$

4.2.1 Current

Trade receivables

4.2.3

1,074,042

24,068

Goods and Services Tax receivable

-

45,133

Research and Development Grant receivable

4.2.4

250,260

988,711

Other receivables

33,590

64,979

1,357,892

1,122,891

4.2.2 The Group's exposure to credit rate risk is disclosed in note 7 *Financial risk management*.

4.2.3 Trade receivables are amounts due from customers for the sale of goods in the ordinary course of business. The trade receivables are generally due for settlement within periods ranging from prepaid or cash on delivery to 30 days and extended terms in certain circumstances and therefore are classified as current. \$1,054,121 of trade receivable relates to an order from Pacific Health in April 2022. The Company has provided extended payment term for this order to facilitate entry into markets for its SuprCuvr products and generate cashflows that may facilitate payments and orders in the near future. Under the Agreement with Pacific Health, the principals of Pacific Health have provided personal guarantees that the obligations under the Agreement will be fulfilled. The Company expects to recover this trade receivable in full in the current period. The Group does not currently have any provision for expected credit loss in respect to their receivables as at 30 June 2022 (30 June 2021: Nil). Due to the short-term nature of the current receivables, their carrying amounts approximate their fair value. The trade receivable's balance does not currently have any amounts that are past due but not impaired.

4.2.4 The Group continued its development program during the year ended 30 June 2022 resulting in a claim for research and development tax incentive which has been included as a receivable at year end and received subsequent to year end.

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 4 Financial assets and financial liabilities (cont.)**4.2 Trade and other receivables (cont.)****4.2.5 Accounting policy**

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from prepaid or cash on delivery to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms (see also note 4.7.1).

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

4.3 Other assets

Note	2022 \$	2021 \$
4.3.1 <i>Current</i>		
Prepayments – Raw materials	88,489	16,642
Other deposits	-	55,583
	88,489	72,225

a. Other deposits relate to inventory and will be recovered within 12 months.

4.4 Trade and other payables

Note	2022 \$	2021 \$
4.4.1 <i>Current</i>		
<i>Unsecured</i>		
Trade payables	187,885	277,637
Sundry payables and accrued expenses	446,842	170,361
Goods and Services Tax payable	33,006	-
Commitment Fee payable	100,000	200,000
	767,733	647,998
4.4.2 <i>Non-Current</i>		
<i>Unsecured</i>		
Commitment Fee payable	200,000	200,000
	200,000	200,000

4.4.3 Trade payables are non-interest bearing and usually settled within the lower of terms of trade or 60 days.

4.4.4 The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 7.

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 4 Financial assets and financial liabilities (cont.)**4.4 Trade and other payables (cont.)****4.4.5 Accounting policy****a. Trade and other payables**

Trade other payables are recognised initially at fair value and subsequently at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Amounts are unsecured, non-interest bearing, and usually settled within the lower of terms of trade or 60 days.

4.5 Borrowings**Note****2022****2021****\$****\$****4.5.1 Current**

Leases – motor vehicle

24,529

30,990

24,529

30,990

4.5.2 Accounting policy**a. Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.6 Derivative assets and liabilities**2022****2021****\$****\$****4.6.1 Financial assets**

Prepaid commitment fee – current

502,000

502,000

Prepaid commitment fee – non-current

335,942

502,000

837,942

1,004,000

4.6.2 Derivative liabilities

LDA Commitment fee liability – current

26,500

272,604

LDA Commitment fee liability – non-current

26,500

272,604

53,000

545,208

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 4 Financial assets and financial liabilities (cont.)

4.6 Derivative assets and liabilities (cont.)

4.6.3 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 valued at \$604,000 using a Binomial options pricing model and classified as derivative liabilities. Refer note 4.6.8 for the valuation inputs.
- b. On 18 May 2021, the Company issued 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 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 year, 2,000,000 Collateral Shares were redeemed. LDA Capital holds 25,500,000 Collateral Shares at 30 June 2022 which are included in Treasury Shares (note 6.1.3)
- 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 is 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. When each of the first four capital calls are closed, the Company will pay each \$100,000 instalment, reducing the liability.
- e. As the timing of the drawdowns under the POA is uncertain, the Company has amortised the prepaid commitment fee over the life of the facility, recognising \$166,058 (2021: \$nil) of the fee as a share issue cost.

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

4.6.4 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 4.6.8. 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 \$492,208 (2021: \$58,792), refer to note 1.2.



Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 4 Financial assets and financial liabilities (cont.)**4.6 Derivative assets and liabilities (cont.)**

	Note	2022 \$	2021 \$
4.6.5 Movement in prepaid assets			
As at 1 July		1,004,000	-
Prepayment Commitment Fee (cash)- at inception		-	400,000
Fair value recognition of Fee Options – on issue		-	604,000
Amortisation of Commitment Fee recognised in transaction costs		(166,058)	-
As at 30 June		837,942	1,004,000
4.6.6 Movement in other payables			
As at beginning of the period		400,000	-
Commitment Fee payable (cash)		-	400,000
Collateral Shares allocated (2,000,000)		(100,000)	-
As at 30 June		300,000	400,000
4.6.7 Movement in derivative liabilities			
As at 1 July		545,208	-
Derivative liability recognised on fee options issue		-	604,000
Re-measurement to fair value through profit or loss	1.2	(492,208)	(58,792)
As at 30 June		53,000	545,208

4.6.8 Fair value of options granted during the financial year ended 30 June 2021

	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	31 December 2021	31 December 2021	31 December 2021	31 December 2021
Number of options	10,000,000	10,000,000	4,000,000	2,000,000
Share price on valuation date	\$0.062	\$0.062	\$0.062	\$0.062
Exercise price	\$0.12	\$0.15	\$0.18	\$0.22
Risk free interest rate	0.093%	0.093%	0.093%	0.093%
Volatility	71%	71%	71%	71%
Indicative Value per Option	\$0.0147	\$0.0116	\$0.0093	\$0.007
Value per tranche	\$147,000	\$116,000	\$39,000	\$14,000

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 4 Financial assets and financial liabilities (cont.)**4.6 Derivative assets and liabilities (cont.)****4.6.9 Fair value hierarchy**

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, as disclosed in note 21.4.2.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2022				
<i>Derivatives liabilities:</i>				
LDA Commitment fee liability	-	-	53,000	53,000
Total derivative liabilities	-	-	53,000	53,000
2021				
<i>Derivatives liabilities:</i>				
LDA Commitment fee liability	-	-	545,208	545,208
Total derivative liabilities	-	-	545,208	545,208

4.6.10 Key Judgements – Accounting Policy

The POA is to facilitate the raising of equity, consequently the costs associated with the transaction have been offset against the cost of equity that is ultimately raised.

To the extent that transaction costs are paid in advance of the equity being raised, these amounts have been capitalised as a prepayment which is systematically released to equity as the equity is raised.

In the event that equity is not raised the prepayments will be charged to the income statement.

The POA contains a derivative liability from the inception, as LDA can elect to take a lower number of shares in lieu of paying the option price, therefore the Company does not know how many shares it will issue or the amount of cash (if any) it will receive. This is accounted for in accordance with AASB 132.11(b)(ii).

At each reporting period and when the option is exercised the derivative liability is remeasured, with any movement going to the income statement.

When a call is made and the Company issues LDA shares to sell a derivative asset exists up until the point the amount the Company is going to receive for selling those shares to LDA is determined (being 90% of the average VWAP of Shares during the Pricing Period). At the end of the pricing period the derivative asset is remeasured with the movement going to the income statement.

The fair value of financial assets and liabilities is measured using a Binomial option pricing model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of input such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of the financial instruments. Refer note 4.6.8 for the detail inputs assumptions.

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 4 Financial assets and financial liabilities (cont.)

4.7 Other Significant Accounting Policies related to Financial Assets and Liabilities

4.7.1 Investments and other financial assets

a. Classification

The Group classifies its financial assets in the following measurement categories:

-  those to be measured subsequently at fair value (either through OCI or through profit or loss), and
-  those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

b. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

c. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

i. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

-  **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
-  **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
-  **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 4 Financial assets and financial liabilities (cont.)**4.7 Other Significant Accounting Policies related to Financial Assets and Liabilities (cont.)****ii. Equity instruments**

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

d. Impairment

The Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Note 5 Non-financial assets and financial liabilities**5.1 Inventories**

	2022 \$	2021 \$
Finished goods	154,274	223,225
	154,274	223,225

5.1.1 Accounting policy

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated based on normal operating capacity. Costs are assigned to individual items of inventory based on weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale inventories are valued at the lower of cost and net realisable value.

5.2 Intangible assets

	2022 \$	2021 \$
SE Formula™	9,859,296	9,859,296
Accumulated amortisation	(1,990,482)	(1,601,478)
	7,868,814	8,257,818
Website development costs	55,410	55,410
Accumulated amortisation	(34,154)	(23,078)
	21,256	32,332
Total intangibles	7,890,070	8,290,150



Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 5 Non-financial assets and financial liabilities (cont.)

5.2 Intangible assets (cont.)

5.2.1 Movements in Carrying Amounts

	Skin Elements formula and technology \$	Website development costs \$	Total \$
Carrying amount at 1 July 2020	8,646,820	7,004	8,653,824
Additions	-	36,410	36,410
Amortisation expense	(389,002)	(11,082)	(400,084)
Carrying amount at 30 June 2021	8,257,818	32,332	8,290,150
Carrying amount at 1 July 2021	8,257,818	32,332	8,290,150
Additions	-	-	-
Amortisation expense	(389,004)	(11,076)	(400,080)
Carrying amount at 30 June 2022	7,868,814	21,256	7,890,070

5.2.2 Accounting policies

a. Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

i. Formula and technology

Separately acquired formula and technology are shown at historical cost. *Skin Elements* formula and technology (hereafter **SE Formula™**), comprises the following, which utilise the same propriety formula in their ingredients:

-  Soléo Organics formula and technology
-  PapayaActivs Skincare formula and technology
-  Elizabeth Jane Natural Cosmetics formula and technology
-  Invisi® Shield SuprCuvr Disinfectant

Formula and technology acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

ii. Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Costs that are directly attributable to the improvement of identifiable and unique software products controlled by the Group are recognised as intangible assets when the Company meets to capitalisation criteria to recognise the asset list in development costs above.

b. Capitalising development costs of formula and technology and software

Development costs of *formula and technology* and *software* which meet the criteria below are capitalised to the asset to which they relate in the year the costs were incurred. Research expenditure and development expenditure that do not meet the criteria are recognised as an expense as incurred

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 5 Non-financial assets and financial liabilities (cont.)

5.2 Intangible assets (cont.)

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

-  the technical feasibility of completing the intangible asset so that it will be available for use or sale;
-  the intention to complete the intangible asset and use or sell it;
-  the ability to use or sell the intangible asset;
-  how the intangible asset will generate probable future economic benefits;
-  the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
-  the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation on and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Expenditures in relation to the development of identifiable and unique products, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and amortised over their estimated useful lives. Any expenditure related to research is expensed as incurred.

c. Intangible assets acquired in a business combination

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

d. Subsequent measurement

The Company commences amortisation where the development process is at a stage where the products can be produced in commercial quantities. The Company has assessed that the *SE Formula™* is at a stage where they meet this test. The Company has assessed the effective life for these assets to be 25 years and amortised the asset carrying values on a straight-line basis for the period. The Company has a policy to regularly review the effective life of each asset. The following useful lives are used in the calculation of amortisation:

	2022 Years	2021 Years
 <i>SE Formula™</i>	25	25
 Website development costs	5	5

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 5 Non-financial assets and financial liabilities (cont.)

5.2 Intangible assets (cont.)

5.2.3 Key estimates

a. Impairment

The Group assesses the impairment of assets at each reporting date by evaluating conditions specific to the asset that may lead to impairment of the assets recoverable amount. 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.

To assist the Group with the impairment assessment of the intangible assets, Moore Australia Corporate Finance (WA) Pty Ltd were engaged to undertake an independent expert report of the indicative fair market value of the intangible assets of the Group. The preferred valuation of the assets did not result in a requirement to impair the carrying value of the intangible assets. The Independent Expert used a range of valuation methodologies to assess fair market value.

Directors are satisfied with the sensitivity and objectivity of the expert and the reasonableness of the key assumptions in the valuation.

b. Amortisation rates

The Group has assessed the effective life of its *SE Formula™* intangible asset (comprising *Soléo Organics* formula and technology; *McArthur Skincare* formula and technology; *Elizabeth Jane Natural Cosmetics* formula and technology; and *Invisi® Shield* Hand Sanitiser) taking into account sector practices, the expected product life cycle and its own internal knowledge of the underlying markets to determine an appropriate amortisation rate. This rate is an estimate of what the Group anticipates the intangible will be able to generate future benefits from the commercialisation formula and technology and this may differ from the future results. The Directors will continue to assess the effective life at each reporting date

5.3 Other Significant Accounting Policies related to Non-Financial Assets and Liabilities

5.3.1 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy at note 3.7) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value-in-use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 5 Non-financial assets and financial liabilities (cont.)

5.3 Other Significant Accounting Policies related to Non-Financial Assets and Liabilities (cont.)

5.3.2 Leases

a. Recognition and measurement

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. The Company has identified one contract that would be classified as leases under the new standard being the lease of office premises. Due to the short term and low value nature of this lease, the Company will apply the exemption and elected to recognise the lease payments in profit and loss on a straight-line basis instead of applying the recognition and measurement requirements in AASB 16. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

i. Right of Use Asset

The Group recognises a right of use asset at the commencement date of the lease. The right of use asset is initially measured at cost. The cost of right of use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, plus initial direct costs incurred and an estimate of costs to dismantle, remove or restore the leased asset, less any lease incentives received.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Subsequent to initial measurement, the right of use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life.

Right of use assets are subject to impairment and are adjusted for any remeasurement of lease liabilities.

ii. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payment to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the assessment of lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payments occurs. The present value of lease payments is discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The amount of lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recognised in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 6 Equity

6.1 Issued capital	Note	2022 No.	2021 No.	2022 \$	2021 \$
Fully paid ordinary shares at no par value		407,727,266	379,477,266	22,871,096	20,978,594
6.1.1 Ordinary shares					
At the beginning of the year		379,477,266	323,284,299	20,978,594	17,607,998
Shares issued during the year:					
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
22.01.21 Shortfall		-	6,328,571	-	632,857
25.02.21 Placement		-	12,000,000	-	1,200,000
06.10.21 Placement		26,250,000	-	2,100,000	-
15.11.21 Collateral Shares allocated for fees	4.6.3d	2,000,000	-	100,000	-
Share issue transaction costs		-	-	(307,498)	-
At end of the year		407,727,266	379,477,266	22,871,096	20,978,594

6.1.2 Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

6.1.3 Treasury shares	Note	2022 No.	2021 No.
At beginning of the year		27,500,000	-
Ordinary shares issued to LDA Capital as Collateral Shares for nil consideration	4.6.3	-	27,500,000
Ordinary shares allocated for fees	4.6.3d	(2,000,000)	-
At end of the year		25,500,000	27,500,000

6.1.4 Accounting policy

Issued and paid-up capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 6 Equity (cont.)						
6.2	Options	Note	2022 No.	2021 No.	2022 \$	2021 \$
	Options on issue		26,000,000	26,000,000	-	-
6.2.1	Ordinary shares					
	At the beginning of the year		26,000,000	126,004,034	-	-
	Options movement during the year:					
	🌿 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)	-	-
	🌿 30.03.21 Fee options issued to LDA Capital	4.6.3	-	26,000,000	-	-
	At end of the year		26,000,000	26,000,000	-	-
	Comprising the following options:					
	🌿 Unlisted				-	-
	○ \$0.12 options expiring 15.03.24		10,000,000	10,000,000	-	-
	○ \$0.15 options expiring 15.03.24		10,000,000	10,000,000	-	-
	○ \$0.18 options expiring 15.03.24		4,000,000	4,000,000	-	-
	○ \$0.22 options expiring 15.03.24		2,000,000	2,000,000	-	-
			26,000,000	26,000,000	-	-
6.3	Performance rights	Note	2022 No.	2021 No.	2022 \$	2021 \$
	Performance rights		209,000,000	47,000,000	229,094	91,252
	At the beginning of the year		47,000,000	47,000,000	91,252	29,103
	Performance rights movement during the year:					
	🌿 Issued	18.2.1a	162,000,000	-	88,204	-
	🌿 Amortisation of rights	18.2.1b	-	-	49,638	62,149
	At reporting date		209,000,000	47,000,000	229,094	91,252
6.4	Reserves				2022 \$	2021 \$
	Share-based payment reserve				229,094	91,252
					229,094	91,252

6.4.1 Share-based payment reserve

The share-based payment reserve records the value of options and performance rights issued the Company to its employees or consultants.



Notes to the consolidated financial statements

for the year ended 30 June 2022

SECTION B. RISK

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

Note 7 Financial risk management

This note presents information about the Group's exposure to each of the above risks, its objectives, policies, and procedures for measuring and managing risk, and the management of capital.

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts payable and receivable, borrowings (including convertible instruments), and leases.

The Group does not speculate in the trading of financial instruments or derivative instruments.

A summary of the Group's financial assets and liabilities, measured in accordance with AASB 9 *Financial Instruments* as detailed in the accounting policies, is shown below:

	Floating Interest Rate \$	Fixed Interest Rate \$	Non- interest bearing \$	2022 Total \$	Floating Interest Rate \$	Fixed Interest Rate \$	Non- interest bearing \$	2021 Total \$
<i>Financial Assets</i>								
Cash and cash equivalents	748,050	-	-	748,050	287,632	-	-	287,632
Trade and other receivables	-	-	1,357,892	1,357,892	-	-	1,122,891	1,122,891
Financial assets – LDA prepayments	-	-	837,942	837,942	-	-	1,004,000	1,004,000
Total Financial Assets	748,050	-	2,195,834	2,943,884	287,632	-	2,126,891	2,414,523
<i>Financial Liabilities</i>								
Trade and other payables	-	-	967,733	967,733	-	-	847,998	847,998
Borrowings	-	-	24,529	24,529	-	-	30,990	30,990
Derivative liabilities	-	-	53,000	53,000	-	-	545,208	545,208
Total Financial Liabilities	-	-	1,045,262	1,045,262	-	-	1,424,196	1,424,196
Net Financial Assets / (Liabilities)	748,050	-	1,150,572	1,898,622	287,632	-	702,695	990,327

7.1 Financial Risk Management Policies

The Boards overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis. These include the credit risk policies and future cash flow requirements. Senior executives meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts. The overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance.

7.2 Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate and equity price risk.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring, and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations, and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

Notes to the consolidated financial statements

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Note 7 Financial risk management (cont.)

7.2.1 Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. The Group's exposure to credit risk is primarily in relation to its cash at bank, short-term deposits, and receivables. The Group does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's objective in managing credit risk is to minimise the credit losses incurred, mainly on trade and other receivables. Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal sales income are generally ranging from prepaid and payment on delivery to 60 days from the day of invoice. For sales with longer settlements, terms are specified in the individual client contracts.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Credit risk exposures

The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with reputable financial institutions residing in Australia, wherever possible. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Impairment losses

Impairment losses are recorded against receivables unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. The ageing of the Group's trade and other receivables at reporting date was as follows:

	Gross 2022 \$	Impaired 2022 \$	Net 2022 \$	Past due but not impaired 2022 \$
<i>Trade receivables</i>				
Not past due to 30 days	1,308	-	1,308	-
Past due 31 days to 90 days	1,072,734	-	1,072,734	1,072,734
	1,074,042	-	1,074,042	1,072,734
<i>Other receivables</i>				
Not past due	283,850	-	283,850	-
Total	1,357,892	-	1,357,892	1,072,734

7.2.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 7 Financial risk management (cont.)

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management requirements. The Group manages liquidity risk by:

- preparing forward looking cash flow analysis in relation to its operating, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Typically, the Group ensures that it has sufficient cash to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The financial liabilities of the Group include trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 60 days of the reporting date.

 Contractual Maturities

The following are the contractual maturities of financial assets and liabilities of the Group:

	Within 1 Year		Greater Than 1 Year		Total	
	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$
<i>Financial liabilities due for payment</i>						
Trade and other payables	767,733	647,998	200,000	200,000	967,733	847,998
Borrowings	24,529	30,990	-	-	24,529	30,990
Derivative liabilities	26,500	272,604	26,500	272,604	53,000	545,208
Total contractual outflows	818,762	951,592	226,500	472,604	1,045,262	1,424,196
<i>Financial assets</i>						
Cash and cash equivalents	748,050	287,632	-	-	748,050	287,632
Trade and other receivables	1,357,892	1,122,891	-	-	1,357,892	1,122,891
Financial assets – LDA prepayments	502,000	502,000	335,942	502,000	837,942	1,004,000
Total anticipated inflows	2,607,942	1,912,523	335,942	502,000	2,943,884	2,414,523
Net inflow / (outflow) on financial instruments	1,789,180	960,931	109,442	29,396	1,898,622	990,327

Cash flows realised from financial instruments reflect management's expectation as to the timing of realisation timing may therefore differ from that disclosed. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 7 Financial risk management (cont.)

7.2.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities minimally expose it to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates. The Group does not enter into derivative financial instruments including foreign exchange forward contracts to hedge against financial risk. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

a. Interest rate risk

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Group's exposures to interest rate in financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

b. Foreign exchange risk

The Group is not exposed to any material foreign exchange risk.

c. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group does not presently hold material amounts subject to price risk. As such the Board considers price risk as a low risk to the Group.

7.2.4 Sensitivity Analyses

The Group is not subject to material market risk sensitivities.

7.2.5 Net Fair Values

a. Fair value estimation

The fair values of financial assets and financial liabilities are presented in the table in note 7 and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as the carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

Financial instruments whose carrying value is equivalent to fair value due to their nature include:

-  Cash and cash equivalents;
-  Trade and other receivables;
-  Trade and other payables; and
-  Derivative liabilities (recognised at fair value).

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.



Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 8 Capital Management

8.1 Capital

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Groups objectives when managing capital are to:

- a. Safeguard their ability to continuing as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- b. Maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt (loans and convertible instruments), cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings. Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

8.2 Working Capital

The working capital position of the Group was as follows:

	Note	2022 \$	2021 \$
Cash and cash equivalents	4.1	748,050	287,632
Trade and other receivables	4.2	1,357,892	1,122,891
Inventories	5.1	154,274	223,225
Other current assets (excluding prepayments)	4.3	-	55,583
Trade and other payables	4.4	(967,733)	(847,998)
Borrowings	4.5	(24,529)	(30,990)
Working capital position		1,267,954	810,343

Notes to the consolidated financial statements

for the year ended 30 June 2022

SECTION C. GROUP STRUCTURE

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:

- (a) changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation
- (b) transactions with non-controlling interests, and
- (c) interests in joint operations.

A list of significant subsidiaries is provided in note 9. This note also discloses details about the Group's equity accounted investments.

Note 9 Interest in subsidiaries

9.1 Information about subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group and the proportion of ownership interest held equals the voting rights held by the Group. Investments in subsidiaries are accounted for at cost. Each subsidiary's country of incorporation is also its principal place of business:

	Place of incorporation and operation	Percentage Owned	
		2022	2021
 SE Operations Pty Ltd	Western Australia	100%	100%

Note 10 Other Significant Accounting Policies Related to Group Structure

10.1 Basis of consolidation

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

10.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary, to align them with the policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non-controlling interests. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of controlled entities is contained in note 9 *Interest in subsidiaries* of the financial statements.

10.3 Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interests are measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

10.4 Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 30 June 2022

SECTION D. 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 – see note 3 Income tax.

Note 11 Commitments

11.1 Capital commitments

The Group does not have any capital commitments (2021: \$nil).

Note 12 Events subsequent to reporting date

12.1 Research and Development Tax Incentives

Subsequent to 30 June 2022, the Company received \$984,463 from Research and Development Tax Incentives.

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 13 Contingent liabilities

There are no contingent liabilities as at 30 June 2022 (30 June 2021: Nil).



Notes to the consolidated financial statements

for the year ended 30 June 2022

SECTION E. 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 14 Key Management Personnel compensation (KMP)

The names and positions of KMP are as follows:

Directors

- Peter Malone Executive Chairman
- Filippo (Phil) Giglia Independent Non-Executive Director
- Lee Christensen Independent Non-Executive Director (Appointed on 31 August 2021)

Former Directors

- John Poulsen Independent Non-Executive Director (Resigned on 31 August 2021)

Other key management

- Leo Fung Chief Technical Advisor
- Craig Piercy Chief Financial Officer

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 is provided in the Remuneration report table on page 12.

	2022 \$	2021 \$
Short-term employee benefits	678,455	594,000
Post-employment benefits	-	-
Share-based payments	116,719	28,515
Other long-term benefits	-	-
Termination benefits	-	-
Total	795,174	622,515

Note 15 Related party transactions

The Group may enter into agreements for services rendered with individuals (or an entity that is associated with the individuals) during the ordinary course of business.

A number of entities associated with the Directors and select technical staff have consulting agreements in place which have resulted in transactions between the Group and those entities during the year.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

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

Entity	KMP	Payable Balance	
		2022 \$	2021 \$
Boston Corporate Pty Ltd	Peter Francis Malone	124,863	-
Colosseum Securities Pty Ltd	Filippo (Phil) Leone Giglia	60,500	13,600
Pooky Corp Pty Ltd	Kevin Lee Christensen	44,000	-
Boston Corporate Pty Ltd	Craig Piercy	55,049	48,161
Blackridge Pty Ltd	Leo Fung	4,009	16,224

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note	16	Auditor's remuneration	2022 \$	2021 \$
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Remuneration of the auditor, BDO Audit (WA) Pty Ltd, for:

Assurance services:

- Auditing or reviewing the financial reports

Non-Assurance Services:

- Other – Research and Development Tax Incentives

66,345	72,404
16,122	18,777
82,467	91,181

Note	17	Earnings per share (EPS)	Note	2022 \$	2021 \$
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17.1 Reconciliation of loss to profit or loss

Loss for the year

(1,580,910) (3,042,523)

Loss used in the calculation of basic and diluted EPS

(1,580,910) (3,042,523)

2022 No.	2021 No.
-------------	-------------

17.2 Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS

Weighted average number of dilutive equity instruments outstanding

17.5

399,923,157 N/A

17.3 Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS

399,923,157 351,137,666

2022 ¢	2021 ¢
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17.4 Earnings per share

Basic EPS (cents per share)

17.5

(0.40) (0.87)

Diluted EPS (cents per share)

17.5

N/A N/A

17.5 As at 30 June 2022 the Group has 26,000,000 unissued shares under options (2021: 26,000,000) and 209,000,000 performance shares on issue (2021: 47,000,000). The Group does not report diluted earnings per share on losses generated by the Group. During the year, the Group's unissued shares under option and performance shares were anti-dilutive.

17.6 Accounting policy

Basic EPS is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to the Group, adjusted for costs of servicing equity (other than dividends) and preference share dividends; the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note	18	Share-based payments	Note	2022 \$	2021 \$
18.1		Share-based payments:			
		Recognised in profit and loss (expenses)	18.2.1	137,842	62,149
		Gross share-based payments		137,842	62,149

18.2 Share-based payment arrangements in effect during the year**18.2.1 Share-based payments recognised in profit or loss****a. 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 and as detailed below and in Note 18.4:

Class of Performance Right	Tranches of Performance Right	Performance Condition	Performance rights No.					Milestone Date	Expiry Date	Performance Condition Satisfied
			Peter Malone	Filippo (Phil) Giglia	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

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 18 Share-based payments (cont.)

18.2 Share-based payment arrangements in effect during the year (cont.)

18.2.1 Share-based payments recognised in profit or loss (cont.)

b. 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
		Peter Malone	PWA			
A	The Company receiving revenue from product sales of \$2,000,000	2,700,000	2,000,000	31 Dec 2023	4 years from issue date	No
B	The Company receiving revenue from product sales of \$6,000,000	5,400,000	4,000,000	31 Dec 2023	4 years from issue date	No
C	The Company receiving revenue from product sales of \$12,000,000	8,100,000	6,000,000	31 Dec 2023	4 years from issue date	No
D	The Company receiving revenue from product sales of \$20,000,000	10,800,000	8,000,000	31 Dec 2023	4 years from issue date	No

18.3 Fair value of options granted during the year

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

No options were granted during the year.

18.4 Fair value of performance rights granted during the year

Class of performance Rights	A	B			
Tranches	N/A	1	2	3	4
Grant / valuation date	26.04.2022	26.04.2022	26.04.2022	26.04.2022	26.04.2022
Assumed commencement of performance period	26.04.2022	26.04.2022	26.04.2022	26.04.2022	26.04.2022
Performance measurement date	31.01.2023	31.01.2027	31.01.2027	31.01.2027	31.01.2027
Performance period (years)	0.77	4.77	4.77	4.77	4.77
Expiry date	31.01.2027	31.01.2027	31.01.2027	31.01.2027	31.01.2027
Life of the Rights (years)	4.77	4.77	4.77	4.77	4.77
Grant date share price	\$0.039	\$0.039	\$0.039	\$0.039	\$0.039
VWAP Barrier	\$0.180	N/A	N/A	N/A	N/A
Exercise price	Nil	Nil	Nil	Nil	Nil
Volatility	90%	90%	90%	90%	90%
Risk-free rate	2.36%	2.88%	2.88%	2.88%	2.88%
Dividend yield	Nil	Nil	Nil	Nil	Nil
Value per right	\$0.002	\$0.039	\$0.039	\$0.039	\$0.039

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 18 Share-based payments (cont.)

18.5 Accounting policy

The Group may provide benefits to employees (including directors) and consultants of the Group in the form of share-based payment transactions, whereby services are rendered in exchange for shares or rights over shares (**equity-settled transactions**).

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period;
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied

during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification

18.6 Key estimate

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instrument at the date at which they are granted. The fair value of options granted is measured using the Black-Scholes option pricing model. The model uses assumptions and estimates as inputs.



Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 19 Operating segments**19.1 Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily based on business category and geographical areas. Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

19.2 Basis of accounting for purposes of reporting by operating segments**19.2.1 Accounting policies adopted**

AASB 8 *Operating Segments* requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. This is consistent to the approach used for the comparative period. Operating segments are reported in a uniform manner to which is internally provided to the Board.

An operating segment is a component of the Group that engages in business activity from which it may earn revenues or incur expenditure, including those that relate to transactions with other group components. Each operating segment's results are reviewed regularly by the Board to make decisions about resources to be allocated to the segments and assess its performance, and for which discrete financial information is available.

The Board monitors the operations of the Company based on two segments, operational and corporate. The financial results of each segment are reported to the Board to assess the performance of the Group. The Board has determined that strategic decision making is facilitated by evaluation of the operations of the legal parent and subsidiary which represent the operational performance of the Group's revenues and the research and development activities as well as the finance, treasury, compliance, and funding elements of the Group.

Unless stated otherwise, all amounts reported to the Board, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

19.2.2 Inter-segment transactions

All such transactions are eliminated on consolidation of the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

19.2.3 Segment assets

Where an asset is used across multiple segments, the asset is allocated proportionately to the applicable segments based on its use. Typically segment assets are clearly identifiable based on their nature and physical location.

Unless indicated otherwise in the segment financial position note, deferred tax assets and intangible assets have not been allocated to operating segments.

19.2.4 Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board in assessing performance and determining the allocation of resources.

19.2.5 Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

 Income tax expense

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 19 Operating segments (cont.)

19.3 Types of products and services by segment

19.3.1 Operations

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

19.4 Segment Financial Performance

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
- Share-based payments
- Occupancy costs
- Research and development expenses

Segment profit/(loss) from continuing operations before tax

Group loss before income tax

2021

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

	Operations \$	Corporate and administration \$	Total \$
Revenue and other income			
○ External sales	1,408,330	-	1,408,330
○ Other income	1,476,671	-	1,476,671
Total segment revenue and other income	2,885,001	-	2,885,001
Total group revenue and other income			2,885,001
Segment profit/(loss) before income tax			
○ Cost of sales	(365,174)	-	(365,174)
○ Administration expenses	(201,591)	(138,915)	(340,506)
○ Advertising and marketing expenses	(296,209)	(128,974)	(425,183)
○ Amortisation	(406,174)	-	(406,174)
○ Corporate expenses	(18,399)	(276,586)	(294,985)
○ Consultants' fees	(146,625)	(184,655)	(331,280)
○ Share-based payments	-	(179,220)	(179,220)
○ Occupancy costs	(57,074)	(42,080)	(99,154)
○ Research and development expenses	(2,024,235)	-	(2,024,235)
Segment profit/(loss) from continuing operations before tax	(630,480)	(950,430)	(1,580,910)
Group loss before income tax			(1,580,910)
2021			
Revenue and other income			
○ External sales	288,741	-	288,741
○ Other income	1,140,003	-	1,140,003
Total segment revenue and other income	1,428,744	-	1,428,744
Total group revenue and other income			1,428,744
Segment profit/(loss) before income tax			
○ Cost of sales	(98,302)	-	(98,302)
○ Administration expenses	(525,488)	(111,595)	(637,083)
○ Advertising and marketing expenses	(76,675)	(129,754)	(206,429)
○ Amortisation	(403,908)	-	(403,908)
○ Corporate expenses	(32,473)	(340,012)	(372,485)
○ Consultants' fees	(249,511)	(108,048)	(357,559)
○ Share-based payments	-	(62,149)	(62,149)
○ Occupancy costs	(68,216)	(20,715)	(88,931)
○ Research and development expenses	(2,244,421)	-	(2,244,421)
Segment profit/(loss) from continuing operations before tax	(2,270,250)	(772,273)	(3,042,523)
Group loss before income tax			(3,042,523)



Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 19 Operating segments (cont.)

19.5 Segment Financial Position

2022

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

2021

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	9,288,495	9,345,825	18,634,320
Reconciliation of segment assets to group assets:			
○ Intra-segment eliminations		(7,537,049)	(7,537,049)
Total assets			11,097,271
Segment Liabilities	7,932,726	649,585	8,582,311
Reconciliation of segment liabilities to group liabilities:			
○ Intra-segment eliminations	(7,537,049)	-	(7,537,049)
Total liabilities			1,045,262
Segment Assets	9,657,909	8,429,463	18,087,372
Reconciliation of segment assets to group assets:			
○ Intra-segment eliminations	-	(7,060,601)	(7,060,601)
Total assets			11,026,771
Segment Liabilities	7,066,888	1,417,909	8,484,797
Reconciliation of segment liabilities to group liabilities:			
○ Intra-segment eliminations	(7,060,601)	-	(7,060,601)
Total liabilities			1,424,196

19.6 Geographical Segments

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

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 20 Parent entity disclosures

Skin Elements Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Skin Elements Limited did not enter into any trading transactions with any related party during the year.

20.1 Financial Position of Skin Elements Limited

	2022 \$	2021 \$
Current assets	1,306,776	866,862
Non-current assets	502,000	502,000
Total assets	1,808,776	1,368,862
Current liabilities	423,085	945,305
Non-current liabilities	226,500	472,604
Total liabilities	649,585	1,417,909
Net assets/(liabilities)	1,159,191	(49,047)
<i>Equity</i>		
Issued capital	23,037,154	20,978,594
Reserve	270,472	91,252
Accumulated losses	(22,148,435)	(21,118,893)
Total equity	1,159,191	(49,047)

20.2 Financial performance of Skin Elements Limited

	2022 \$	2021 \$
Loss for the year	(1,029,542)	(2,888,875)
Other comprehensive loss	-	-
Total comprehensive loss	(1,029,542)	(2,888,875)

20.3 Guarantees

There are no guarantees entered into by Skin Elements Limited for the debts of its subsidiary as at 30 June 2022 (2021: none).

20.4 Contractual commitments

The parent company has no capital commitments as at 30 June 2022 (2021: \$nil), as disclosed in note 11.1.

20.5 Contingent liabilities

There are no contingent liabilities as 30 June 2022 (2021: none).



Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 21 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 years presented, unless otherwise stated.

21.1 Basis of preparation

21.1.1 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).

21.1.2 Basis of accounting

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (**AAS Board**) and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**), and the *Corporations Act 2001* (Cth).

Australian Accounting Standards (**AASBs**) set out accounting policies that the AAS Board has concluded would result in a financial report containing relevant and reliable information about transactions, events, and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

The financial statements were authorised for issue on 30 September 2022 by the Directors of the Company.

21.1.3 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.

21.1.4 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.

21.1.5 New and Amended Standards Adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

 AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2

 AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

21.2 Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 21 Statement of significant accounting policies

21.3 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 21.3.1.

21.3.1 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 – Taxation* Refer Note 3 Income Tax.
- b. *Key estimate – Impairment of intangibles* Refer Note 5.2 Intangible assets.
- c. *Key estimate – Amortisation rates of intangibles* Refer Note 5.2 Intangible assets.
- d. *Key estimate – Share-based payments* Refer Note 18 Share-based payments.
- e. *Treatment of LDA options and commitment fee* Refer Note 4.6 Derivative assets and liabilities.

21.3.2 Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the 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 COVID-19 pandemic.

21.4 Fair Value

21.4.1 Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable AASB.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly unforced transaction between independent, knowledgeable, and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also considers a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.



Notes to the consolidated financial statements

for the year ended 30 June 2022

Note 21 Statement of significant accounting policies**21.4.2 Fair value hierarchy**

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- 🔄 if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- 🔄 if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

21.4.3 Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- 🔄 Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- 🔄 Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- 🔄 Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

21.5 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 30 June 2022 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:

1. The financial statements and notes, as set out on pages 17 to 60, are in accordance with the *Corporations Act 2001* (Cth) and:
 - (a) comply with Accounting Standards;
 - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 21.1 to the financial statements; and
 - (c) give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the Group.
 - (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);
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 and is signed for and on behalf of the Directors by:



PETER MALONE

Managing Director

Dated this Friday, 30 September 2022





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 Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Skin Elements Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Skin Elements Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of intangible assets

Key audit matter	How the matter was addressed in our audit
Note 5.2 to the Financial Report discloses the intangible assets and the assumptions used by the Group in testing these assets for impairment. As required by Australian Accounting Standards, the Group performs annual impairment testing for each Cash Generating Unit ("CGU") to which intangible assets have been allocated to determine whether the recoverable amount is below the carrying amount. The Group engaged an Independent Expert to assess the fair value of the intangible assets to assist in the determination of an impairment assessment of the intangible assets in accordance with <i>AASB 136 Impairment of Assets</i>. The determination of the fair value of the assets requires significant judgement. We considered this issue to be a key audit matter, due to the significance of the balance to the reported financial position of the Group, and the judgements relied upon to determine the fair value.	Our audit procedures included, but were not limited, to the following: • Considering the appropriateness of the valuation methodology against the relevant Australian Accounting Standard; • Evaluating the independence, competence and objectivity of the valuation expert; • Assessing the reasonableness of the valuation methodology used by the Independent Expert using our valuation specialists where necessary; and • Assessing the adequacy of the related disclosures in Note 5.2 to the Financial Report.





Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.





Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Skin Elements Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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

30 September 2022



Corporate governance statement

The Board is responsible for establishing the Company's corporate governance framework. In establishing its corporate governance framework, the Board has referred to the 4th edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations.

The Corporate Governance Statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The Company's governance-related documents can be found on its website at www.skinelementslimited.com/investors.html#cg.



Additional Information for Listed Public Companies

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

1 Capital as at 26 September 2022:

1.1. Ordinary share capital

407,727,266 ordinary fully paid shares held by 1,198 shareholders.

1.2. Unlisted Options over Unissued Shares

Number of Options	Exercise Price \$	Expiry Date
10,000,000	0.12	15 March 2024
10,000,000	0.15	15 March 2024
4,000,000	0.18	15 March 2024
2,000,000	0.22	15 March 2024
26,000,000		

1.3. Performance Rights over Unissued Shares

Class of Performance Right	Performance Condition	Performance rights No.	Milestone Date	Expiry Date
2019 Tranche 1	The Company receiving revenue from the sale of its products to an aggregate value of \$2,000,000	4,700,000	31 Dec 2023	4 years from the date of issue
2019 Tranche 2	The Company receiving revenue from the sale of its products to an aggregate value of \$6,000,000	9,400,000	31 Dec 2023	4 years from the date of issue
2019 Tranche 3	The Company receiving revenue from the sale of its products to an aggregate value of \$12,000,000	14,100,000	31 Dec 2023	4 years from the date of issue
2019 Tranche 4	The Company receiving revenue from the sale of its products to an aggregate value of \$20,000,000	18,800,000	31 Dec 2023	4 years from the date of issue
2022 Class 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	100,000,000	31 Jan 2023	3 years from vesting date
2022 Class B Tranche 1	The Company receiving revenue from product sales of \$25,000,000 after 1.01.22	15,500,000	31 Dec 2027	3 years from vesting date
2022 Class B Tranche 2	The Company receiving revenue from product sales of \$50,000,000 after 1.01.22	15,500,000	31 Dec 2027	3 years from vesting date
2022 Class B Tranche 3	The Company receiving revenue from product sales of \$75,000,000 after 1.01.22	15,500,000	31 Dec 2027	3 years from vesting date
2022 Class B Tranche 4	The Company receiving revenue from product sales of \$100,000,000 after 1.01.22	15,500,000	31 Dec 2027	3 years from vesting date
		209,000,000		

1.4. Voting Rights

The voting rights attached to each class of equity security are as follows:

- **Ordinary shares:** Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- **Unlisted Options:** Options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.



Additional Information for Listed Public Companies

- **Performance Rights:** A Performance Right does not entitle a Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company. A Performance Right does not entitle a Holder to any dividends. A Performance Right does not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up of the Company. A Performance Right is not transferable.

1.5. Substantial Shareholders as at 26 September 2022.

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Sovereign Empire Pty Ltd	26,452,596	6.49
Mr Waheb George Joukador	22,768,539	5.58

1.6. Distribution of Shareholders as at 26 September 2022

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
100,001 – and over	363	383,684,506	94.10
10,001 – 100,000	502	21,694,359	5.32
5,001 – 10,000	248	2,132,070	0.52
1,001 – 5,000	51	211,174	0.05
1 – 1,000	34	5,157	0.00
	1,198	407,727,266	100.00

1.7. Distribution of Holders of Unlisted Options as at 26 September 2022

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
100,001 – and over	1	26,000,000	0.00
	1	26,000,000	0.00

1.8. Unmarketable Parcels as at 26 September 2022

As at 26 September 2021 there were 415 shareholders who held less than a marketable parcel of shares holding 3,402,694 shares.

1.9. On-Market Buy-Back

There is no current on-market buy-back.

1.10. Restricted Securities

The Company has no restricted securities

Additional Information for Listed Public Companies

1.11. 20 Largest Shareholders — Ordinary Shares as 26 September 2022

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Sovereign Empire Pty Ltd	26,452,596	6.49
2.	Mr Waheb George Joukador	22,768,539	5.58
3.	Citicorp Nominees Pty Limited	20,225,961	4.96
4.	Braunii Pty Ltd	15,277,803	3.75
5.	Mgold Pty Ltd	14,665,290	3.60
6.	Sovereign Equities Pty Ltd	11,933,628	2.93
7.	State Securities Pty Ltd	10,500,000	2.58
8.	Bayroad Nominees Pty Ltd	7,800,000	1.91
9.	Mr Russell Wayne Allen	7,496,631	1.84
10.	Nabawa Pty Ltd	6,875,000	1.69
11.	Blackridge Group Pty Ltd	5,611,183	1.38
12.	Top Oceania International Limited	5,254,636	1.29
13.	Clare Malone	5,222,223	1.28
14.	Nevile Superannuation Fund Pty Ltd	5,000,000	1.23
15.	Raxigi Pty Limited	4,920,746	1.21
16.	Kava Holdings Pty Ltd	4,750,482	1.17
17.	Brocklebank Pty Ltd	4,737,053	1.16
18.	Sharesies Nominee Limited	4,725,603	1.16
19.	Equities Services Pty Ltd	4,317,751	1.06
20.	Kassett Pty Ltd	4,280,000	1.05
Total		192,815,125	47.32

1.12. Unquoted Securities Holders Holding More than 20% of the Class as at 26 September 2022

1.12.1. Unlisted Options (Exercise price \$0.12, Expiry Date:15.03.2024)

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
LDA Capital Limited	10,000,000	100.00
Total	10,000,000	100.00
Total unlisted options (exercise price \$0.12, expiry date:15.03.2024)		10,000,000

1.12.2. Unlisted Options (Exercise price \$0.15, Expiry Date:15.03.2024)

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
LDA Capital Limited	10,000,000	100.00
Total	10,000,000	100.00
Total unlisted options (exercise price \$0.15, expiry date:15.03.2024)		10,000,000

1.12.3. Unlisted Options (Exercise price \$0.18, Expiry Date:15.03.2024)

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
LDA Capital Limited	4,000,000	100.00
Total	4,000,000	100.00
Total unlisted options (exercise price \$0.22, expiry date:15.03.2024)		4,000,000



Additional Information for Listed Public Companies

1.12.4. Unlisted Options (Exercise price \$0.22, Expiry Date:15.03.2024)

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
LDA Capital Limited	2,000,000	100.00
Total	2,000,000	100.00
Total unlisted options (exercise price \$0.22, expiry date:15.03.2024)	2,000,000	

1.12.5. 2019 Tranche 1 Performance Rights Holders

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
Peter Malone	2,700,000	57.45
Palmer Wilson Associates Ltd	2,000,000	42.55
Total	4,700,000	100.00
Total Performance Right	4,700,000	

1.12.6. 2019 Tranche 2 Performance Rights Holders

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
Peter Malone	5,400,000	57.45
Palmer Wilson Associates Ltd	4,000,000	42.55
Total	9,400,000	100.00
Total Performance Right	9,400,000	

1.12.7. 2019 Tranche 3 Performance Rights Holders

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
Peter Malone	8,100,000	57.45
Palmer Wilson Associates Ltd	6,000,000	42.55
Total	14,100,000	100.00
Total Performance Right	14,100,000	

1.12.8. 2019 Tranche 4 Performance Rights Holders

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
Peter Malone	10,800,000	57.45
Palmer Wilson Associates Ltd	8,000,000	42.55
Total	18,800,000	100.00
Total Performance Right	18,800,000	



Additional Information for Listed Public Companies

1.12.9. 2022 Class A Performance Rights Holders

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
Peter Malone	50,000,000	50.00
Craig Piercy	25,000,000	25.00
Leo Fung	25,000,000	25.00
Total	100,000,000	100.00
Total Performance Right	100,000,000	

1.12.10. 2022 Class B Tranche 1 Performance Rights Holders

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
Peter Malone	12,500,000	80.65
Total	12,500,000	80.65
Total Performance Right	15,500,000	

1.12.11. 2022 Class B Tranche 2 Performance Rights Holders

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
Peter Malone	12,500,000	80.65
Total	12,500,000	80.65
Total Performance Right	15,500,000	

1.12.12. 2022 Class B Tranche 3 Performance Rights Holders

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
Peter Malone	12,500,000	80.65
Total	12,500,000	80.65
Total Performance Right	15,500,000	

1.12.13. 2022 Class B Tranche 4 Performance Rights Holders

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
Peter Malone	12,500,000	80.65
Total	12,500,000	80.65
Total Performance Right	15,500,000	

2 The Company Secretary is Filippo (Phil) Giglia.

3 Principal registered office and contact details

As disclosed in the Corporate directory on page i and in Company details on page 21 of this Annual Report.

4 Registers of securities

As disclosed in the Corporate directory on page i of this Annual Report.



Additional Information for Listed Public Companies**5 Stock exchange listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, as disclosed in the Corporate directory on page i of this Annual Report.

6 Use of funds

The Company has used its funds in accordance with its initial business objectives.





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