



For more information



Interim Report
2 0 2 2

SuprCuvr™
Evolution

Corporate directory**Current Directors**

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

Company Secretary

Phil Giglia

Registered Office

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Email: info@senatural.com

Website: www.skinelementslimited.com

Auditors

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Share Registry

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Facsimile: +61 (08) 6370 4203

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Securities Exchange

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Perth WA 6000

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ASX Code SKN



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Results for announcement to the market
 for the half-year ended 31 December 2021

1 REPORTING PERIOD (item 1)	
Report for the period ended:	31 December 2021
Previous corresponding period is half-year ended:	31 December 2020

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET	Movement	Percentage %	Amount \$
Revenues from ordinary activities (item 2.1)	Decrease	(20.07) to	118,457
Loss from ordinary activities after tax attributable to members (item 2.2)	Decrease in loss	(12.39) to	(1,196,631)
Loss after tax attributable to members (item 2.3)	Decrease in loss	(12.39) to	(1,196,631)
a. Dividends (items 2.4 and 5)		Amount per Security ¢	Franked amount per security %
Interim dividend		nil	n/a
Final dividend		nil	n/a
Record date for determining entitlements to the dividend (item 2.5)	n/a		
b. Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):			
The revenue and losses for the period reflect continued focus on the development of the Company's SE Formula including the Invisi Shield® sanitiser and disinfectant range.			

3 DIVIDENDS (item 6) AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS
Nil.
a. Details of dividend or distribution reinvestment plans in operation are described below (item 6):
Not applicable

4 RATIOS	Current period	Previous corresponding period
a. Financial Information relating to 4b:	\$	\$
Earnings for the period attributable to owners of the parent	(1,196,631)	(1,365,850)
Net assets	10,509,527	9,602,575
Less: Intangible assets	(8,090,110)	(8,290,150)
Net tangible (liabilities)/assets	2,419,417	1,312,425
	No.	No.
Fully paid ordinary shares	407,727,266	379,477,266
	¢	¢
b. Net tangible (liability)/assets backing per share (cents) (item 3):	0.593	0.346



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Results for announcement to the market

for the half-year ended 31 December 2021

5 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD: (item 4)

a. Control gained over entities

🌐 Name of entities (item 4.1)	Nil
-------------------------------	-----

🌐 Date(s) of gain of control (item 4.2)	n/a
---	-----

b. Loss of control of entities

🌐 Name of entities (item 4.1)	Nil
-------------------------------	-----

🌐 Date(s) of loss of control (item 4.2)	n/a
---	-----

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

n/a

d. Loss from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)

n/a

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

🌐 Name of entities (item 7)	Nil
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🌐 Percentage holding in each of these entities (item 7)	N/A
---	-----

🌐 Aggregate share of profits (losses) of these entities (item 7)		
--	--	--

	Current period	Previous corresponding period
--	----------------	-------------------------------

N/A

N/A

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

8 The Interim Financial Report is reviewed.





Directors' report

Your directors present their report on the Group, consisting of Skin Elements Limited (**Skin Elements, SKN, or the Company**) and its controlled entities (collectively **the Group**), for the half-year ended 31 December 2021.

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

1. Directors

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

-  Peter Malone Executive Chairman and Chief Executive Officer
-  Phil Giglia Independent Non-Executive Director
-  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 half-year to the date of this report unless otherwise stated.

2. Operating and financial review

2.1. Operations Review

SKN delivers SuprCuvr Hospital Grade Disinfectant with TGA Listing and Production Commenced

The Company formally launched its SuprCuvr hospital grade disinfectant following registration by the Therapeutic Goods Administration (TGA) achieving 99.99999% (7 log reduction) effectiveness against COVID 19 in independent laboratory testing.

SKN's research indicates that this is the first and only approved disinfectant globally with such a high efficacy rating against COVID 19.

The TGA registration allows the Company to make detailed and specific product and label claims in respect to Invisi Shield SuprCuvr which paves the way for Skin Elements to commence its commercialization and growth strategy.

The Company has procured manufacturing and ingredients supply chain facilities with the ability to produce 100,000 litres per day of SuprCuvr hospital grade disinfectant in intermediate bulk containers (IBCs) on an ongoing and increasing basis. The Company is also assessing additional batching facilities to ensure availability of SuprCuvr products through Pacific Health Care (www.pacifichealthcare.com.au) and for sale through the Company's online store (www.sknlife.com.au).

Exclusive Australia and New Zealand SuprCuvr Distribution Agreement

On 17 January 2022 Skin Elements executed a binding Agreement with Pacific Health Care Pty Ltd (Pacific Health) a 35 year health distributor for the exclusive distribution of Skin Elements' TGA registered SuprCuvr hospital grade disinfectant in Australia and New Zealand (Agreement).

The Agreement represents the next step in the commercialisation strategy for SuprCuvr. It will allow Skin Elements to leverage off Pacific Health's existing health distribution networks and immediately 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.

Pacific Health Care was established 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.

Further details of the Agreement were provided in ASX announcement of 17 January 2022.

Directors' report

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.

Research & Development Rebate

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 accrued \$466k R&D Rebate for the R&D expenditure invested in the six months to 31 December 2021.

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 will be used to fund its stated business plans including the launch of its new TGA registered SuprCuvr plant based hospital grade disinfectant and provided sufficient working capital for the Company to be reinstated to official quotation on ASX on 19 October 2021.

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.

Skin Elements expects to issue the first initial drawdown notice and complete the first drawdown prior to 30 June 2022.

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 \$314,00 due to the time value of money and the amount of \$231,208 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.

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.

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 March 2022 with completion in April 2022.

Directors' report

2.2. Financial Review

a. Key profit and loss measures

	Movement (increase/ decrease)	Movement \$	6 months to 31 December 2021 \$	6 months to 31 December 2020 \$
🌿 Revenues from ordinary activities	<i>decreased</i>	29,743	118,457	148,200
🌿 Loss from ordinary activities after tax	<i>decreased</i>	169,219	(1,196,631)	(1,365,850)
🌿 EBITDA Loss	<i>increased</i>	172,872	(993,544)	(1,166,416)

b. Key net asset measures

	Movement (increase/ decrease)	Movement \$	31 December 2021 \$	30 June 2021 \$
🌿 Cash and cash equivalents	<i>increased</i>	1,277,589	1,565,221	287,632
🌿 Working capital (excluding prepayments)	<i>increased</i>	935,147	2,174,886	1,239,739
🌿 Net tangible assets	<i>increased</i>	1,106,992	2,419,417	1,312,425
🌿 Net assets	<i>increased</i>	906,952	10,509,527	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.

2.3. Impact of COVID 19 Coronavirus

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

2.4. Events Subsequent to Reporting Date

On 17 January 2022 SKN announced that it entered into a binding Agreement with Pacific Health Care Pty Ltd (Pacific Health) for the exclusive distribution of Skin Elements' TGA registered SuprCuvr hospital grade disinfectant in Australia and New Zealand details of which are set out above.

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements as disclosed in Note 7 Events subsequent to reporting date on page 22.

2.5. 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 36 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 skin care technology as set out in its review of operations.

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



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Directors' report

3. Auditor's independence

The auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the half-year ended 31 December 2021 has been received and can be found on page 7 of the interim financial report.



PETER MALONE

Executive Chairman

Dated this Monday, 28 February 2022

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

As lead auditor for the review of Skin Elements Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd
Perth, 28 February 2022

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Condensed consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2021

	Note	6 months to 31 December 2021 \$	6 months to 31 December 2020 \$
<i>Continuing operations</i>			
Revenue	1.1	118,457	148,200
Cost of sales		(46,372)	(60,019)
Gross profit		72,085	88,181
Other income	1.2	697,735	428,130
Administration expenses	2.1	(546,228)	(495,772)
Advertising and marketing expenses		(206,570)	(155,995)
Amortisation	4.2	(203,087)	(199,434)
Corporate expenses	2.2	(246,074)	(182,507)
Consultants' fees	2.3	(64,350)	(112,849)
Occupancy costs		(58,850)	(47,511)
Research and development expenses		(641,292)	(688,093)
Loss before tax		(1,196,631)	(1,365,850)
Income tax expense		-	-
Net loss for the year		(1,196,631)	(1,365,850)
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive loss attributable to members of the parent entity		(1,196,631)	(1,365,850)
<i>Loss per share:</i>			
Basic and diluted loss per share (cents per share)	10.4	(0.310)	(0.420)

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

Condensed consolidated statement of financial position
 as at 31 December 2021

	Note	31 December 2021 \$	30 June 2021 \$
<i>Current assets</i>			
Cash and cash equivalents	3.1	1,565,221	287,632
Trade and other receivables	3.2.1	525,236	1,122,891
Inventories	4.1	231,859	223,225
Other current assets	3.3.1	75,930	72,225
Financial Assets	3.6.1	502,000	502,000
Total current assets		2,900,246	2,207,973
<i>Non-current assets</i>			
Right of use asset - property, plant, and equipment		23,601	26,648
Financial Assets	3.6.1	502,000	502,000
Intangible assets	4.2	8,090,110	8,290,150
Total non-current assets		8,615,711	8,818,798
Total assets		11,515,957	11,026,771
<i>Current liabilities</i>			
Trade and other payables	3.4.1	464,626	647,998
Borrowings	3.5.1	27,804	30,990
Derivative liabilities	3.6.2	157,000	272,604
Total current liabilities		649,430	951,592
<i>Non-current liabilities</i>			
Trade and other payables	3.4.2	200,000	200,000
Derivative liabilities	3.6.2	157,000	272,604
Total non-current liabilities		357,000	472,604
Total liabilities		1,006,430	1,424,196
Net assets		10,509,527	9,602,575
<i>Equity</i>			
Issued capital	5.1.1	23,057,154	20,978,594
Reserves	5.4	116,275	91,252
Accumulated losses		(12,663,902)	(11,467,271)
Total equity		10,509,527	9,602,575

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



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Condensed consolidated statement of changes in equity

for the half-year ended 31 December 2021

	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		-	(1,365,850)	-	(1,365,850)
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		-	(1,365,850)	-	(1,365,850)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the half-year (net of costs)	5.1.1	2,137,739	-	-	2,137,739
Share based payments during the half-year	11	-	-	37,534	37,534
Balance at 31 December 2020		19,745,737	(9,790,598)	66,637	10,021,776
<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		-	(1,196,631)	-	(1,196,631)
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		-	(1,196,631)	-	(1,196,631)
<i>Transaction with owners, directly in equity</i>					
Shares issued during the half-year (net of costs)	5.1.1	2,078,560	-	-	2,078,560
Share based payments during the half-year	11	-	-	25,023	25,023
Balance at 31 December 2021		23,057,154	(12,663,902)	116,275	10,509,527

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



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Condensed consolidated statement of cash flows
 for the half-year ended 31 December 2021

Note	6 months to 31 December 2021 \$	6 months to 31 December 2020 \$
<i>Cash flows from operating activities</i>		
Receipts from customers	121,112	146,363
Payments to suppliers and employees	(1,799,746)	(1,709,454)
Receipt of research and development tax incentive	988,711	668,418
Interest paid and facility fees	(11,048)	(88,359)
JobKeeper payment scheme and ATO cash flow boost	-	92,500
Net cash used in operating activities	(700,971)	(890,532)
<i>Cash flows from investing activities</i>		
Purchase of intangibles	-	(36,410)
Net cash used in investing activities	-	(36,410)
<i>Cash flows from financing activities</i>		
Proceeds from issue of shares	2,100,000	2,086,888
Share issue costs	(121,440)	-
Repayments of borrowings	-	(500,000)
Net cash provided by financing activities	1,978,560	1,586,888
Net increase in cash and cash equivalents held	1,277,589	659,946
Cash and cash equivalents at the beginning of the period	287,632	205,947
Cash and cash equivalents at the end of the period	1,565,221	865,893

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



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Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

In preparing the December 2021 interim financial statements, Skin Elements Limited has grouped notes into sections under three key categories:

 Section A: How the numbers are calculated.....	13
 Section B: Unrecognised items	22
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The financial report is presented in Australian dollars, except where otherwise stated.

Company details

The registered office of the Company is:

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WEST PERTH WA 6005

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Notes to the condensed consolidated financial statements
 for the half-year ended 31 December 2021

SECTION A. HOW THE NUMBERS ARE CALCULATED

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

Note	1	Revenue and other income	Note	6 months to 31 December 2021 \$	6 months to 31 December 2020 \$
1.1		Revenue			
		Sales to customers		118,457	148,200
				118,457	148,200
1.2		Other Income			
		Research and development tax incentives grant income		466,527	335,630
		JobKeeper Payment scheme grant income		-	67,500
		ATO Cash flow boost grant income		-	25,000
		Fair value adjustment of fee options	3.6.7	231,208	-
				697,735	428,130

Note	2	Loss before income tax	Note	6 months to 31 December 2021 \$	6 months to 31 December 2020 \$
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The following significant revenue and expense items are relevant in explaining the financial performance:

2.1		Administration expenses			
		Accounting expenses		68,026	65,075
		Wages and salaries		403,313	247,441
		Travel expenses		756	18,088
		Interest expenses and finance facility costs		11,048	88,359
		Other expenses		63,085	76,809
				546,228	495,772
2.2		Corporate expenses			
		ASX fees		50,160	32,176
		Audit expenses		37,016	36,400
		Directors' fees		48,000	18,000
		Filing fees		14,833	7,294
		Legal expenses		87,104	77,788
		Share registry and shareholder communications		8,961	10,849
				246,074	182,507
2.3		Contract and consulting fees			
		Executive services contracts		39,327	39,327
		Share-based performance rights	11.2.1	25,023	37,534
		External consulting fees		-	35,988
				64,350	112,849



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Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

Note 3 Financial assets and financial liabilities			
3.1	Cash and cash equivalents		
		31 December 2021	30 June 2021
		\$	\$
	Cash at bank	1,565,221	287,632
		1,565,221	287,632
3.2	Trade and other receivables	Note	
		31 December 2021	30 June 2021
		\$	\$
3.2.1	Current		
	Trade receivables	21,412	24,068
	Goods and Services Tax receivable	4,084	45,133
	Research and Development Grant receivable	466,527	988,711
	Other receivables	33,213	64,979
		525,236	1,122,891
3.2.2	The Group continued its development program during the half-year ended 31 December 2021 resulting in a claim for research and development tax incentive for the 2022 financial year, and is included as a receivable at half-year end.	3.2.2	
3.3	Other assets		
		31 December 2021	30 June 2021
		\$	\$
3.3.1	Current		
	Prepayments – Raw materials	75,930	16,642
	Other deposits	-	55,583
		75,930	72,225
3.4	Trade and other payables	Note	
		31 December 2021	30 June 2021
		\$	\$
3.4.1	Current		
	<i>Unsecured</i>		
	Trade payables	154,803	277,637
	Sundry payables and accrued expenses	209,823	170,361
	Commitment Fee payable	100,000	200,000
		464,626	647,998
3.4.2	Non-Current		
	<i>Unsecured</i>		
	Commitment Fee payable	200,000	200,000
		200,000	200,000



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Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2021

Note 3 Financial assets and financial liabilities (cont.)

3.5	Borrowings	31 December 2021 \$	30 June 2021 \$
3.5.1	Current		
	Leases – motor vehicle	27,804	30,990
		27,804	30,990
3.6	Derivative assets and liabilities	31 December 2021 \$	30 June 2021 \$
3.6.1	Financial assets		
	Prepaid commitment fee - current	502,000	502,000
	Prepaid commitment fee – non-current	502,000	502,000
		1,004,000	1,004,000
3.6.2	Derivative liabilities		
	LDA Commitment fee liability – current	157,000	272,604
	LDA Commitment fee liability – non-current	157,000	272,604
		314,000	545,208

3.6.3 **LDA Capital Agreement**

On 6 April 2021, the Company announced it had 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 would control 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.

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

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 on issue using a Binomial options pricing model and classified as derivative liabilities. At balance date the fair value of the derivative liability has been reassessed using the same valuation methodology to \$314,000 due to the time value of money. The amount of \$231,208 is recognised as a fair value gain to P&L. Refer Note 3.6.8 for the valuation inputs.

- b. On 18 May 2021 On 18 May 2021, the Company issued to LDA Capital 27,500,000 shares (“Collateral Shares”) for nil consideration. LDA Capital will hold these shares until such time that the Company issues the initial call notice. At that time, and subject to certain limitations set out in the POA, LDA Capital may sell collateral shares on market. Under the POA, unused Collateral Shares may be used for a subsequent call, bought back by the Company for nominal consideration or transferred to a trustee or nominee of the Company for nominal consideration.
- 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.

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Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

Note 3 Financial assets and financial liabilities (cont.)**3.6 Derivative assets and liabilities (cont.)**

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 the \$100,000 instalment, reduce the liability and the prepaid commitment fee, and recognise this amount to cost of capital. On 15 November 2021, 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. The Company fully expects to drawdown the full amount of the \$20 million equity facility and therefore the full amount of \$1,004,000 is recoverable as prepaid share issue costs.

3.6.4 Recognition and reduction in derivative liability and other payables

On entering the POA, the Company recognised a commitment fee payable of \$400,000, and fair value of 26,000,000 unlisted options, recognised as a derivative liability totalling \$604,000 determined using a Binomial option pricing model. Details of the assumptions used in the valuation of the options are summarised in Note 3.6.8.

The Company has not issued a Capital Call Notice under the POA to LDA Capital.

The derivative liability relating to the unlisted options issued to LDA Capital is revalued at each reporting date for the unexercised options. The remeasurement of the derivative liability resulted in a fair value gain of \$231,208 in the current period. Refer to Note 1.2.

3.6.5 Movement in prepaid assets

	6 months to 31 December 2021 \$	12 months to 30 June 2021 \$
As at beginning of the period	1,004,000	-
Prepayment Commitment Fee (cash)- at inception	-	400,000
Fair value recognition of Fee Options – on issue	-	604,000
As reporting date	1,004,000	1,004,000

3.6.6 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 reporting date	300,000	400,000

3.6.7 Movement in derivative liabilities

As at beginning of the period	545,208	-
Derivative liability recognised on fee options issue	-	604,000
Re-measurement to fair value through profit or loss	1.2 (231,208)	(58,792)
As reporting date	314,000	545,208

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

Note 3 Financial assets and financial liabilities (cont.)

3.6 Derivative assets and liabilities (cont.)

3.6.8 Fair value of options granted at report date

	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

3.6.9 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.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
31 December 2021				
Derivatives liabilities				
LDA Commitment fee liability	-	-	314,000	314,000
Total derivative liabilities	-	-	314,000	314,000
30 June 2021				
Derivatives liabilities				
LDA Commitment fee liability	-	-	545,208	545,208
Total derivative liabilities	-	-	545,208	545,208



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Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

Note 4 Non-financial assets and financial liabilities**4.1 Inventories**

	6 months to 31 December 2021 \$	12 months to 30 June 2021 \$
Finished goods	231,859	223,225
	231,859	223,225

4.2 Intangible assets

	6 months to 31 December 2021 \$	12 months to 30 June 2021 \$
<i>SE Formula™</i>	9,859,296	9,859,296
Accumulated amortisation	(1,795,980)	(1,601,478)
	8,063,316	8,257,818
Website development costs	55,410	55,410
Accumulated amortisation	(28,616)	(23,078)
	26,794	32,332
Total intangibles	8,090,110	8,290,150

4.2.1 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.

Directors are satisfied that no impairment is required in regards to intangibles.



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Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

Note 5 Equity

5.1 Issued capital

	31 December 2021 No.	30 June 2021 No.	31 December 2021 \$	30 June 2021 \$
Fully paid ordinary shares at no par value	407,727,266	379,477,266	23,057,154	20,978,594
5.1.1 Ordinary shares				
At the beginning of the period	379,477,266	323,284,299	20,978,594	17,607,998
Shares issued during the period:				
🌱 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 Share allocated for fees 3.6.3d	2,000,000	-	100,000	-
Share issue transaction costs	-	-	(121,440)	-
At reporting date	407,727,266	379,477,266	23,057,154	20,978,594

5.1.2 Treasury shares

	Note	31 December 2021 No.	30 June 2021 No.
At beginning of the period		27,500,000	-
🌱 Ordinary shares issued to LDA Capital as Collateral Shares for nil consideration	3.6.3	-	27,500,000
🌱 Ordinary shares allocated for fees		(2,000,000)	-
At reporting date		25,500,000	27,500,000

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Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

Note 5 Equity (cont.)

5.2 Options	Note	31 December	30 June	31 December	30 June
		2021	2021	2021	2021
		No.	No.	\$	\$
Options		26,000,000	26,000,000	-	-
At the beginning of the period		26,000,000	126,004,034	-	-
Options movement during the period:					
🌱 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	3.6.3	-	26,000,000	-	-
At reporting date		26,000,000	26,000,000	-	-
Comprising the following options:					
🌱 Unlisted, ex. price \$0.12 exp. date 15.03.24		-	10,000,000	-	-
🌱 Unlisted, ex. price \$0.15 exp. date 15.03.24		-	10,000,000	-	-
🌱 Unlisted, ex. price \$0.18 exp. date 15.03.24		-	4,000,000	-	-
🌱 Unlisted, ex. price \$0.22 exp. date 15.03.24		-	2,000,000	-	-
At reporting date		-	26,000,000	-	-

Notes to the condensed consolidated financial statements
 for the half-year ended 31 December 2021

Note 5 Equity (cont.)

5.3	Performance rights	Note	31 December	30 June	31 December	30 June
			2021	2021	2021	2021
			No.	No.	\$	\$
	Performance rights		47,000,000	47,000,000	116,275	91,252
	At the beginning of the period		47,000,000	47,000,000	91,252	29,103
	Amortisation of performance shares issued		-	-	25,023	62,149
	At reporting date		47,000,000	47,000,000	116,275	91,252

5.4	Reserves	31 December	30 June
		2021	2021
		\$	\$
	Share-based payment reserve	116,275	91,252
		116,275	91,252

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Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

SECTION B. UNRECOGNISED ITEMS

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

Note 6 Commitments**6.1 Capital commitments**

The Group does not have any capital commitments. (30 June 2021: \$nil)

Note 7 Events subsequent to reporting date

On 17 January 2022 SKN announced that it entered into a binding Agreement with Pacific Health Care Pty Ltd (Pacific Health) for the exclusive distribution of Skin Elements' TGA registered SuprCuvr hospital grade disinfectant in Australia and New Zealand details of which are set out in the Directors' report.

There has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Note 8 Contingent liabilities

There are no contingent liabilities as at 31 December 2021 (30 June 2021: Nil).

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Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2021

SECTION C. OTHER INFORMATION

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

Note 9 Related party transactions

Entity	Nature of transactions	KMP	Total Transactions		Payable Balance	
			6 months to 31 December 2021	6 months to 31 December 2020	6 months to 31 December 2021	12 months to 30 June 2021
			\$	\$	\$	\$
Peter Malone	Executive services	<i>Executive Chairman</i>	120,000	120,000	1,768	64,102
Phil Giglia	Directors' fees	<i>Non-executive Director</i>	24,000	14,000	5,500	45,400
Lee Christensen ¹	Directors' fees	<i>Non-executive Director</i>	20,000	-	11,000	-
John Poulsen ²	Directors' fees	<i>Non-executive Director</i>	4,000	4,000	2,200	2,200

1. Appointed 31 August 2021.
2. Resigned 31 August 2021.

Note 10 Loss per share (EPS)

Note	6 months to 31 December 2021	6 months to 31 December 2020
	\$	\$
10.1 Reconciliation of loss to profit or loss		
Loss for the half-year	(1,196,631)	(1,365,850)
Loss used in the calculation of basic and diluted EPS	(1,196,631)	(1,365,850)
	6 months to 31 December 2021	6 months to 31 December 2020
	No.	No.
10.2 Weighted average number of ordinary shares outstanding during the half-year used in calculation of basic EPS	391,746,288	327,630,920
Weighted average number of dilutive equity instruments outstanding	10.5 N/A	N/A
10.3 Weighted average number of ordinary shares outstanding during the half-year used in calculation of basic EPS	391,746,288	327,630,920
	6 months to 31 December 2021	6 months to 31 December 2020
	¢	¢
10.4 Loss per share		
Basic EPS (cents per share)	10.5 (0.31)	(0.42)
Diluted EPS (cents per share)	10.5 N/A	N/A

10.5 As at 31 December 2021 the Group has 25,500,000 treasury shares, (31 December 2020: Nil), 26,000,000 unissued shares under options (31 December 2020: Nil), and 47,000,000 performance shares on issue (31 December 2020: 47,000,000). The Group does not report diluted earnings per share on losses generated by the Group. During the half-year, the Group's unissued shares under option and performance shares were anti-dilutive.

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Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

Note 11 Share-based payments	6 months to 31 December 2021 \$	6 months to 31 December 2020 \$
11.1 Share-based payments:		
🌱 Recognised in profit and loss (expenses)	25,023	37,534
Gross share-based payments	25,023	37,534

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

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

These performance rights are issued to Peter Malone, Executive Chairman, and to Palmer Wilson Associates Ltd (**PWA**), a United Kingdom based specialist business development consultancy and have been valued and issued on terms as detailed below and the fair value of the options granted is deemed to represent the value of the services received over the vesting period. A 40% probability is applied to non-market 2019 Performance Rights.:

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 the sale of its products to an aggregate value of \$2,000,000	2,700,000	2,000,000	31 Dec 2023	4 years from the date of issue	No
B	The Company receiving revenue from the sale of its products to an aggregate value of \$6,000,000	5,400,000	4,000,000	31 Dec 2023	4 years from the date of issue	No
C	The Company receiving revenue from the sale of its products to an aggregate value of \$12,000,000	8,100,000	6,000,000	31 Dec 2023	4 years from the date of issue	No
D	The Company receiving revenue from the sale of its products to an aggregate value of \$20,000,000	10,800,000	8,000,000	31 Dec 2023	4 years from the date of issue	No

11.3 Fair value of options granted during the half-year

No options were granted during the half-year.

Notes to the condensed consolidated financial statements
 for the half-year ended 31 December 2021

Note 12 Operating segments

12.1 Description of segments

12.1.1 Operations

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

12.2 Segment Financial Performance

Half-Year ended 31 December 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

Half-Year ended 31 December 2020

Revenue and other income

- External sales
- Other income

Total segment revenue and other income

Total group revenue and other income

Segment profit/(loss) before income tax

- Cost of sales
- Administration expenses
- Advertising and marketing expenses
- Amortisation
- Corporate expenses
- Consultants' fees
- Share-based payments
- Occupancy costs
- Research and development expenses

Segment profit/(loss) from continuing operations before tax

Group loss before income tax

	Operations \$	Corporate and administration \$	Total \$
Revenue and other income			
■ External sales	118,457	-	118,457
■ Other income	697,735	-	697,735
Total segment revenue and other income	816,192	-	816,192
Total group revenue and other income			816,192
Segment profit/(loss) before income tax			
■ Cost of sales	(46,372)	-	(46,372)
■ Administration expenses	(484,145)	(62,083)	(546,228)
■ Advertising and marketing expenses	(141,206)	(65,364)	(206,570)
■ Amortisation	(203,087)	-	(203,087)
■ Corporate expenses	(3,915)	(242,159)	(246,074)
■ Consultants' fees	(39,327)	-	(39,327)
■ Share-based payments	-	(25,023)	(25,023)
■ Occupancy costs	(34,270)	(24,580)	(58,850)
■ Research and development expenses	(641,292)	-	(641,292)
Segment profit/(loss) from continuing operations before tax	(777,422)	(419,209)	(1,196,631)
Group loss before income tax			(1,196,631)
Revenue and other income			
■ External sales	148,200	-	148,200
■ Other income	428,130	-	428,130
Total segment revenue and other income	576,330	-	576,330
Total group revenue and other income			576,330
Segment profit/(loss) before income tax			
■ Cost of sales	(60,019)	-	(60,019)
■ Administration expenses	(346,108)	(149,664)	(495,772)
■ Advertising and marketing expenses	(55,972)	(100,023)	(155,995)
■ Amortisation	(199,434)	-	(199,434)
■ Corporate expenses	(17,211)	(165,296)	(182,507)
■ Consultants' fees	(39,327)	(35,988)	(75,315)
■ Share-based payments	-	(37,534)	(37,534)
■ Occupancy costs	(38,004)	(9,507)	(47,511)
■ Research and development expenses	(688,093)	-	(688,093)
Segment profit/(loss) from continuing operations before tax	(867,838)	(498,012)	(1,365,850)
Group loss before income tax			(1,365,850)



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Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2021

Note 12 Operating segments (cont.)

12.3 Segment Financial Position

At as 31 December 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

As at 30 June 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	8,865,283	9,925,074	18,790,357
Reconciliation of segment assets to group assets:			
■ Intra-segment eliminations	-	(7,274,400)	(7,274,400)
Total assets			11,515,957
Segment Liabilities	7,106,130	1,174,701	8,280,831
Reconciliation of segment liabilities to group liabilities			
■ Intra-segment eliminations	(7,274,401)	-	(7,274,401)
Total liabilities			1,006,430
As at 30 June 2021			
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

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2021

Note 13 Statement of significant accounting policies

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

13.1 Basis of preparation

13.1.1 Reporting Entity

Skin Elements Limited (**Skin Elements** or the **Company**) is a listed public company limited by shares, domiciled and incorporated in Australia. This interim financial report is intended to provide users with an update on the latest annual financial statements of Skin Elements Limited and controlled entities (the **Group**). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in combination with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the half-year.

13.1.2 Basis of accounting

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

The financial statements were authorised for issue on 28 February 2022 by the Directors of the Company.



13.1.3 Comparative figures

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

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

13.1.4 New and Amended Standards Adopted by the Group

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

-  AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions [AASB 16]*
-  AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 [AASB 4, AASB 7, AASB 9, AASB 16 & AASB 139]*.

13.2 Use of estimates and judgments

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

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

13.2.1 Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the 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.

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 27, are in accordance with the *Corporations Act 2001* (Cth) and:
 - (a) comply with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - (b) give a true and fair view of the financial position as at 31 December 2021 and of the performance for the half-year ended on that date of the Company.
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



PETER MALONE

Managing Director

Dated this Monday, 28 February 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Skin Elements Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Skin Elements Limited (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Responsibility of the directors for the financial report

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

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

BDO


Glyn O'Brien

Director

Perth, 28 February 2022



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