



6 April 2021

\$20M Equity Funding Agreement to accelerate Sales & Manufacture of Invisi Shield®

Australian natural skin care company, Skin Elements Limited (ASX: SKN) (Skin Elements or the Company), is pleased to announce a \$20 million equity funding facility with US-based institutional investment group, LDA Capital Limited and LDA Capital LLC (**LDA Capital**).

Skin Elements has entered into a Put Option 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.

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.

As previously disclosed to the market (ASX announcement: 11 November 2020), Skin Elements has submitted its application for Therapeutic Goods Administration (**TGA**) registration of the new formula of the Invisi Shield® sanitising disinfectant (Invisi Shield®) as a hospital grade disinfectant. A successful registration with the TGA will allow the Company to make more detailed and specific product and label claims in respect to Invisi Shield® which has the potential to open up significant new commercial scale sales and distribution opportunities for Invisi Shield®.

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 ready 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 Invisi Shield® and the Company's other product lines.

Key Agreement Terms

- 36 month term
- Put options to require LDA to subscribe for up to \$20 million of shares at the Company's election
- The issue price of the shares pursuant to a put option will be 90% of the higher of:
 - the average VWAP of the Company's shares in the 30 trading day period after the issue of a call option by the Company (subject to any applicable adjustments); and
 - the minimum price notified to LDA Capital by the Company upon the issue of the call notice

- During the term of the Agreement, LDA Capital may not hold more than 19.9% of the issued share capital of the Company
- Any placement to LDA Capital is expected to be made under the Company's Listing Rule 7.1 capacity.

Advantages of the Agreement

Skin Elements reviewed numerous alternative funding offers from investment firms but considered the equity funding facility offered by LDA Capital to be superior in a number of respects including:

- the flexibility it offers to raise equity capital quickly in parallel with the Company's growth program;
- the ability of the Company to set the floor price for any shares that may be issued to LDA Capital means that the Directors can ensure that the shares are issued at a price which is consistent with their duty to act in the best interests of all shareholders; and
- the ability to pay the commitment fee over the term of the Agreement (see further below).

The Company also considers that the consideration payable to LDA Capital under the Agreement (see further below) is within market parameters for an equity funding facility of this size and nature.

Due diligence

Prior to entering into the Agreement, the Company appointed Indian Ocean Securities Pty Ltd (AFSL: 336409) to undertake due diligence of LDA Capital including a detailed analysis of the proposed funding facility and LDA Capital's experience in providing similar facilities to other companies. In the past two years, LDA Capital has provided equity funding facilities to four ASX-listed companies and more than 20 other entities in other jurisdictions. In addition, SKN held numerous discussions and Zoom meetings with the directors of LDA Capital, both in the United States and Europe, over a six-month period.

Impact on shareholders

SKN is aware of the guidance given by ASIC in its Market Integrity Update - COVID-19 Special Issue - 31 March 2020 regarding fairness in equity capital raisings during the COVID-19 pandemic.

As noted above, the Agreement is a desirable facility as it offers SKN flexibility to raise equity capital quickly at a time when SKN may need such capital to fund anticipated growth. At the same time, the Directors are cognisant that they act in the best interests of shareholders (including acting fairly) when considering new capital raisings. SKN's impending proposed entitlement issue illustrates that SKN is aware of the need to treat shareholders fairly.

Skin Elements Executive Chairman Peter Malone said;

"We are excited to have secured this \$20 million equity funding facility from LDA Capital. LDA Capital has a track record of providing funding to help emerging growth companies achieve their business goals, and we are delighted to see that LDA Capital shares the same positive view on the global growth potential of our Invisi Shield® sanitising disinfectant and our range of natural skincare products as we do."

LDA Capital Managing Partner Warren Baker said;

“On the back of the secular growth trends in the global health and wellness industry we are delighted to partner with Skin Elements and provide \$20 million in equity funding to support the growth of their cutting-edge natural skincare product range. Additionally, we are excited about the new product derivatives with the launch of SKN’s Natural sanitiser and disinfectant products using natural plant-based extracts. We share Skin Elements’s vision to expand the presence of their natural and organic products on a global basis and see significant growth opportunities in the near term.”

Agreement Details

The equity funding under the Agreement may be accessed by the Company by issuing capital call notices to LDA Capital with each capital call notice being put to LDA Capital, requiring LDA Capital to subscribe for and pay for ordinary shares in the Company the subject of the relevant put option, subject to the satisfaction of certain conditions precedent.

At any time, the Company may issue a capital call notice for up to 10 times the average daily trading volume of the Company’s shares during the 15 trading days prior to the issue of the capital call notice.

The issue price of the shares will be 90% of the higher of the average VWAP of the Company’s shares in the 30-trading day period after the issue of the capital call notice (subject to any applicable adjustments) and the minimum price notified to LDA Capital by the Company upon the issue of the capital call notice.

The VWAP calculation 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.

On any trading day in a period when the issue price of the Company’s shares is being determined for the purposes of a capital call notice, LDA Capital will not sell shares in the Company representing more than 1/30th of shares specified in the capital call notice.

The Company has committed to issue a capital call notice by 16 April 2021 (**Initial Draw Down**). The size of the Initial Draw Down has yet to be determined by the Company. No other draw downs under the Agreement are contemplated at this time.

Consideration payable to LDA Capital

In consideration of LDA Capital providing the equity funding facility under the Agreement, Skin Elements has agreed to provide the following to LDA Capital:

Commitment fee

Skin Elements will pay LDA Capital a commitment fee of \$400,000 which is payable in cash in four equal instalments at closing of the Company’s first four capital calls.

If the Company does not drawdown on the facility in the first 24 months of the term, the Company is liable to pay LDA Capital the commitment fee of \$400,000 in full. Any portion of the commitment fee which has not been paid by the 24-month anniversary of the date of the Agreement is due and payable by the Company at that time.

As noted above, the Company has committed to issue a capital call notice by 16 April 2021. SKN will pay \$100,000 of the commitment fee at the closing of the Initial Draw Down.

Options

In addition, in accordance with the terms of the Agreement, Skin Elements has granted and issued LDA Capital 26,000,000 unlisted Options, with each Option having an exercise period of three years, as follows:

- 10,000,000 Options with an exercise price of AUD 0.12 (**Tranche 1 Options**);
- 10,000,000 Options with an exercise price of AUD 0.15 (**Tranche 2 Options**);
- 4,000,000 Options with an exercise price of AUD 0.18 (**Tranche 3 Options**); and
- 2,000,000 Options with an exercise price of AUD 0.22 (**Tranche 4 Options**).

Applying a binomial option price methodology and the assumptions set out below, the Company has valued the Options at \$600,000:

Assumptions:	
<i>Valuation date</i>	<i>26 March 2021</i>
<i>Market price of SKN shares</i>	<i>10.0 cents</i>
<i>Exercise price</i>	<i>Between \$0.12 and \$0.22</i>
<i>Expiry date</i>	<i>Three years from date of issue</i>
<i>Risk free interest rate</i>	<i>0.10%</i>
<i>Volatility (discount)</i>	<i>60%</i>
Indicative value per Option	<i>\$0.02308</i>
Total value of Options	<i>\$600,000</i>

Collateral shares

Upon issue of a capital call notice, Skin Elements will issue LDA Capital 'collateral shares', for nil consideration, on a one-for-one basis to the number of shares Skin Elements seeks LDA Capital to subscribe for as set out in a capital call notice, less the number of collateral shares already held by LDA Capital at that time. The collateral shares are ordinary fully paid shares in the capital of the Company.

Subject to certain limitations set out in the Agreement, LDA Capital may sell collateral shares on-market. Collateral shares held by LDA Capital can also be used by the Company to offset its obligation to issue shares, subscribed and paid for by LDA Capital. Any unused collateral shares can be bought back by the Company or transferred to a trustee or nominee of the Company for nominal consideration.

Placement capacity

Shares issued under the Initial Draw Down and the Options will be issued under SKN's existing Listing Rule 7.1 placement. SKN intends to re-fresh its placement capacity at a general meeting of shareholders to be held within the next three months.

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

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About Skin Elements

Skin Elements is an award winning Australian owned and operated ASX-listed skin care company focused on the development of natural and organic skin care products. Skin Elements innovative approach to organic chemical free products has enabled the creation of a portfolio of products that have been sold and distributed across the world. Its flagship products include Invisi-Shield Organics natural alcohol-free sanitiser range, Soléo Organics 100% natural and organic sunscreen, PapayaActivs natural therapeutics skincare, and Elizabeth Jane Natural Cosmetics brand.

Further information is available via the Company website: <http://skinelementslimited.com>

About LDA Capital

LDA Capital is a global alternative investment group with expertise in complex, cross border transactions worldwide. The LDA team members have dedicated their careers to international and cross border opportunities having collectively executed over 200 transactions in both the public and private markets across 43 countries with aggregate transaction values of over US\$10 billion. For more information please visit: www.ldacap.com; For inquiries please email: info@ldacap.com

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