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ASX RELEASE

28 October 2020

SECOS Quarterly Cash Flow Statement and Appendix 4C

Financial Highlights

- September quarter sales grew by 19.3% year on year
- Biopolymer products recorded their strongest quarterly sales, with 25.4% growth from June quarter and 75.8% from Sep-19 quarter
- Net operating cash outflow of $0.855 million in the quarter included an approximate $1 million increase in raw material inventories to meet increased customer orders
- $15 million Placement was over-subscribed with strong support from both institutional and sophisticated investors
- Strong balance sheet with $16.4 million cash and no debt

The Board of sustainable and eco-friendly Biopolymer producer SECOS Group Limited (ASX: SES, "the Company") is pleased to present its Quarterly Activities Report and Appendix 4C Quarterly Cash Flow Statement for SECOS Group Limited ("SECOS Group") for the September 2020 quarter.

Cash Flow

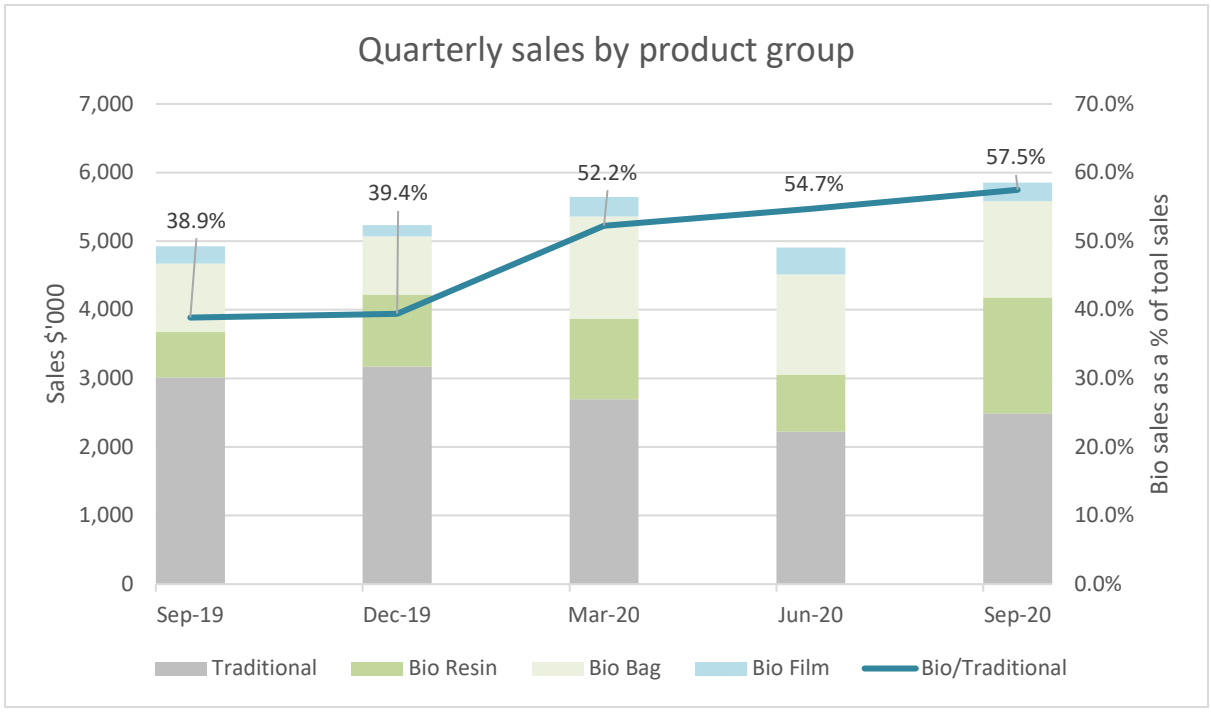
Quarterly operating cash flow consists of $6.3 million cash receipts from customers, up from $5.4 million June 2020 quarter, or a 17% improvement. The Company increased investment in working capital (raw materials and inventories) by approximately $1 million in the September quarter to support increased sales orders of biopolymer resins. The benefit of this increase is expected to flow through in increased sales in the December quarter. Inclusive of the above build of inventories, total operating cash outflow was $0.855 million.

Sales Growth

September quarter sales (unaudited) were up 19% on the June quarter. Biopolymer sales in September quarter were up 75.8% compared with the September 2019 quarter delivering the strongest quarterly Biopolymer sales in the Company's history. Biopolymers sales now represent 57.5% of the Group's total sales. Pivotal to this growth was the increasing demand for our proprietary Cardia™ Biopolymer resin by branded retailers, food providers and packaging companies as consumers switch to environmentally friendly products.

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Quarterly comparative

MyEcoBag



As announced on 9 July 2020, SECOS launched its new retail brand, MyEcoBag. Two SKUs including the 8L and 36L kitchen compostable bags have since been sold through 86 of Woolworths (ASX: WOW) at stores nationally. To date, MyEcoBag sales have outperformed internal Woolworths targets. The successful and encouraging early results were supported by a targeted social media campaign led by the headline that "finally a garbage bag that is not garbage". The campaign has been well received with over 427,000 reactions and views to social media a week.

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Jewett-Cameron Trading Company

As announced on 10 August 2020, SECOS secured a significant supply contract with leading United States pet supply company JC USA Inc a wholly owned subsidiary of Jewett-Cameron Trading Company Limited (NASDAQ Code: JCTCF "Jewett-Cameron"). Initial finished products commenced shipment at the end of August. Concurrently, SECOS is expanding film and bag capacity to supply anticipated future increases in order volumes. Initial feedback from the customers was with enthusiasm and higher than anticipated demand.



A picture of Lucky Dog™ pallet ready for dispatch in USA.

Operating Highlights

The Group has been focusing on production capacity expansion during the past few months and will continue to do so to meet increasing customer orders and market demand. Proceeds from the Company's recent successful equity placement has facilitated the investment in new manufacturing assets and working capital to support strong orders. Additional capex investment has been made in film and bag lines for Council food and organic waste bags and dog waste bags during the quarter.

The Company has recently committed to expanding SECOS resin making capacity in response to strong sales demand in Q1 FY21 as announced on 23 September 2020 (ASX announcement "SECOS Distribution Partner Delivers $1.5m New Resin Orders") and due to an increased order pipeline in dog waste and council bag sales.

Fixed operating costs were kept under control with a portion of the savings from staff and administration costs redeployed into marketing investments to support SECOS' entry into retail store sales as well as its own branded line of MyEcoBag products.

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Outlook

SECOS is experiencing strong and growing demand in its core segments including local council bag tenders, pet waste bag retailers and compostable hygiene biofilms used in the manufacture of products such as compostable diapers and FemCare products. SECOS is also experiencing growing demand for its wide range of bio-resins used in an expanding list of environmentally friendly packaging applications.

The progress that the Company had made to achieve positive results in the second half of FY20 is expected to continue into FY21. Though Covid-19 restrictions have affected some of our customers in certain geographical regions and consequently delayed shipments, the Group overall has experienced greater volume than in the previous quarter and that of September quarter last year.

SECOS CEO Ian Stacey said “we are seeing more councils tendering, with the intention to adopt Food and Organic Waste diversion programs which utilize compostable bags to capture kitchen food waste destined for organic waste collection”.

SECOS is continuing to progress the development of a compostable resin formulation, that is suitable for cast film production which will be aimed at the expanding market for compostable film for personal hygiene products.

We are optimistic that these activities will translate into stronger financial results for the Group.

This announcement was authorized for release by the Board of SECOS Group Limited.

The Company’s September 2020 Appendix 4C follows.

For more information, please contact:

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About SECOS Group Limited

SECOS Group Limited (ASX: SES) is a leading developer and manufacturer of sustainable packaging materials. SECOS supplies its proprietary biodegradable and compostable resins, packaging products and high-quality cast films to a blue-chip global customer base. SECOS Group is integrated from resin production, into film (cast and blown) production and can develop bespoke compostable solutions for a range of applications.

SECOS holds a strong patent portfolio and the global trend toward sustainable packaging is fueling the Company's growth.

The Company's headquarters and Global Application Development Centre are based in Melbourne, Australia. SECOS has a Product Development Centre and manufacturing plant for resins and finished products in China and resins plant in Malaysia. The Company also has manufacturing plants for high quality cast films in Malaysia.

SECOS has sales offices in Australia, Malaysia, China and USA, with a network of leading distributors across North Americas, Mexico and Latin Americas, Europe, Asia, the Middle East, Africa and India.

Disclaimer and Explanatory Notes Forward Looking Statements

This document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning SECOS' planned operational program and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "budget", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although SECOS believes its expectations reflected in these are reasonable, such statements involve risks and uncertainties, including but not limited to risks and uncertainties relating to impacts that may arise from Covid-19, and no assurance can be given that actual results will be consistent with these forward-looking statements. SECOS confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning this announcement continue to apply and have not materially changed.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
SECOS GROUP LIMITED	
ABN	**Quarter ended ("current quarter")**
89 064 755 237	**30 September 2020**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	6,293	6,293
1.2	Payments for	-	-
	(a) research and development	(87)	(87)
	(b) product manufacturing and operating costs	(5,904)	(5,904)
	(c) advertising and marketing	(129)	(129)
	(d) leased assets	-	-
	(e) staff costs	(877)	(877)
	(f) administration and corporate costs	(117)	(117)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	(34)	(34)
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(855)**	**(855)**

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(303)	(303)
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**(303)**	**(303)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	14,900	14,900
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	619	619
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(531)	(531)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(319)	(319)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**14,669**	**14,669**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,879	2,879
4.2	Net cash from / (used in) operating activities (item 1.9 above)	**(855)**	**(855)**
4.3	Net cash from / (used in) investing activities (item 2.6 above)	**(303)**	**(303)**
4.4	Net cash from / (used in) financing activities (item 3.10 above)	**14,669**	**14,669**
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**16,390**	**16,390**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	**16,335**	**2,824**
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (bank guarantee)	55	55
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**16,390**	**2,879**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	Nil
6.2	Aggregate amount of payments to related parties and their associates included in item 2	Nil

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements		
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(855)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	16,390
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	15,535
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	18

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

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Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: **28 October 2020**

Authorised by: **By the board**

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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