

ASX RELEASE

26 April 2023

Quarterly Activities and Appendix 4C – March 2023

The Board of sustainable and eco-friendly Biopolymer producer SECOS Group Limited (ASX: SES, "SECOS" or "the Company") is pleased to present its Quarterly Activities Report and Appendix 4C Quarterly Cash Flow Statement for the March 2023 quarter. All figures are in AUD and are provided on an unaudited basis.

Financial Summary

- Positive net operating cash flow of \$0.4 million in Q3 FY23.
- Approximately 110% growth in MyEco™ retail brand sales in major retailers and independent distributors Year to date (YTD) vs prior YTD.
- YTD gross margin improved on PCP as freight rates and lead times continue to normalise, which is enabling more predictable working capital management.
- Q3 FY23 sales of \$5.7 million were down 1.3% on Q2 FY23 and down 36.7% on prior comparative period (PCP) impacted by excess resin inventory being held by customers, which is reducing at an expected level, and the strategic decision to continually reduce low margin traditional plastic sales which has improved the working capital position.
- Capital investment for Q3 FY23 was \$0.2 million.
- Strong support from existing shareholders and new investors in the successful Placement of \$3.0 million in March 2023. This was followed up by a Share Purchase Plan which raised a further \$0.9 million in April 2023.
- Closing cash was \$7.4 million with no debt.

Operational Highlights

- The launch of the new 95% Certified Recycled MyEco® range (ASX announcement 25 January 2023) which is certified to meet Global Recycled Standards and Initial sales from the new range are expected in Q4 FY23
- The exclusive sales agreement with Jewett Cameron (JCC) for the roll out of MyEco™ retail brand and other branded products in the USA has started strongly with the first order placed in March 2023.
- MyEcoBag® range achieved 24% of all Coles¹ compostable bin liner and kitchen caddy sales since the launch in November 2022.
- MyEcoBag® maintains its position as the number one brand within the 970 stores of Woolworths² compostable bin liner and kitchen caddy sales, representing 39% of sales in this category.
- Sales to white label partners continue to perform well through JCC's Lucky Dog® in the USA and EzyDog's Login® dog waste bags in major Australian pet stores. JCC is up over 100% in YTD sales on PCP and EzyDog has achieved sales of over \$0.3m since its launch less than one year ago.

¹ IRI Scan Data between 12/11/22 to 18/4/23

² Quantum Scan Data between 20/4/22 to 18/4/23

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- SECOS' Research and Development (R&D) Centre is scaling up a production trial for new fully compostable pallet wrap. Major converters and industry partners have shown significant interest as potential partner to take the new product to market.

Cash Flows

Cash receipts from customers in Q3 FY23 were \$7.3 million, up from \$6.7 million in Q2 FY23 due to fulfilment timing and despite the deliberate reduction in low margin traditional plastic sales. Net operating cash inflows were positive \$0.4 million.

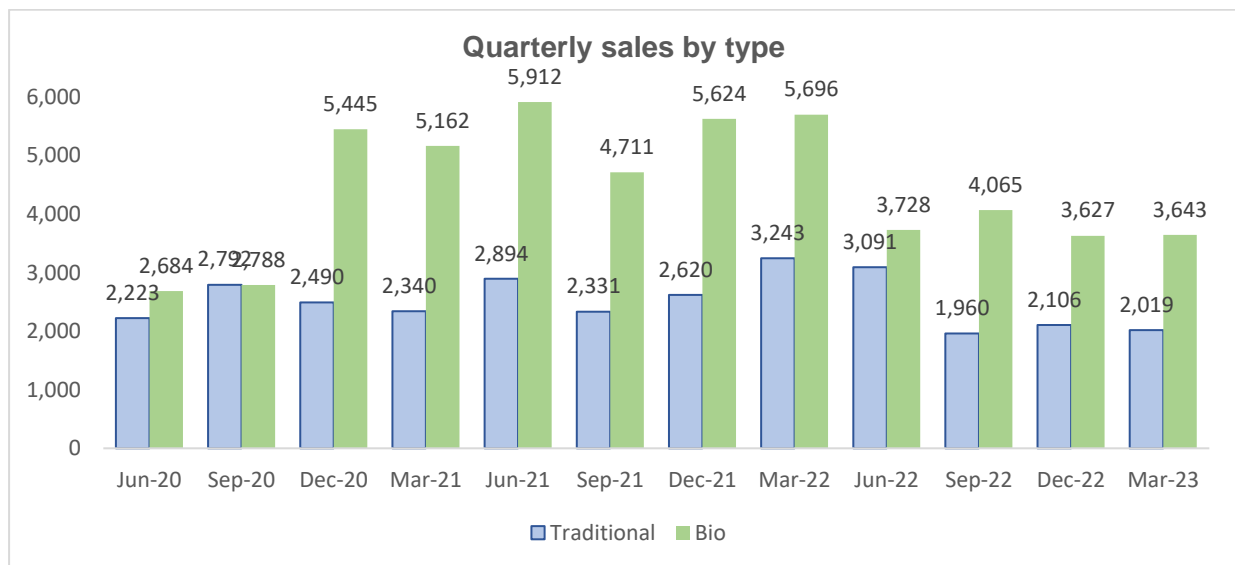
The Share Placement was settled in March 2023 with a net cash inflow of \$2.8 million after settlement fees. The Share Purchase Plan of \$0.9 million was settled in April 2023.

\$0.2 million was invested in capital expenditure during Q3 FY23 to continue expanding the newly established Malaysian biopolymer film and bag plant and for new equipment for the Company's Research and Development Centre.

The Company continues to maintain a strong balance sheet with \$7.4 million cash in the bank and no debt.

Pursuant to ASX Listing Rule 4.7C, as noted in Section 6.1 of the Company's Appendix 4C Cashflow Statement, payments made to related parties and their associates totals \$137,904 for Q3 FY23 relating to Directors' remuneration and fees.

Sales Development



Compostable Bags

Compostable bag sales in Q3 FY23 were up 14.9% on Q2 FY23 and up 20.2% on PCP. Council bag sales have grown in Q3 FY23 compared to each of the prior three quarters. SECOS expects an increase in orders and additional contracts to come through in Q4 FY23 and beyond.

Compostable Resin

Compostable resin sales in Q3 FY23 were down 11.5% on Q2 FY23 and down 70.2% on PCP. Resin sales were impacted by the unwinding of excess inventory from some LATAM customers but are expected to return to a growth trajectory in Q4 FY23, through new orders from several new resin converters in LATAM, Europe and USA.

Compostable Film

Compostable blown film sales currently represent a relatively small component of Biopolymer business and in Q3 FY23 were down 65.9% on Q2 FY23 and down 50.2% on PCP. However, high-speed compostable cast film products remain a highly strategic focus for the company because compostable films offer opportunities to enter the growing and high-volume sustainable hygiene, food, and pallet and magazine wrap markets.

Traditional Plastic

Traditional sales in Q3 FY23 were down 4.1% on Q2 FY23 and down 37.7% on PCP. During Q3 FY23, the company continued to execute the strategic decision to cease sales to certain low margin traditional plastic customers. This has reduced the group's sales growth in the short term but will benefit SECOS by preserving working capital and improving the group's gross margin and earnings.

Outlook

SECOS achieved growth of approximately 110% in MyEco™ retail brand sales in major retailers and independent distributors in YTD sales vs prior YTD. This has been driven primarily by expansion into the 970 stores in Woolworths and the launch into Coles' 770 Australian store network. This trend supports the plan to grow MyEcoBag™ sales via Supermarkets as Councils continue to introduce FOGO programs and householders adopt food scrap diversion to organic composting programs.

The exclusive sales agreement with Jewett Cameron for the roll out of MyEco™ retail brand has started strongly and will enable SECOS to take advantage of increasing consumer demand for sustainable alternatives to conventional plastics in the USA, with a lower cost distribution model.

SECOS continues to diversify the geographic market reach of resin sales by transacting with in new customers in the USA and Europe.

YTD gross margin is continuing its upward trend as freight rates and lead times continue to normalise back to pre-COVID-19 levels, which are also enabling more predictable stock and working capital management.

The launch of a national marketing campaign aimed at building brand awareness and driving sales via our large retail distribution footprint within Australia began this week.

SECOS has progressed a number of investments in the development of new compostable products and film applications. A compostable grade of film with enhanced clarity is in the final stages of development, to be used for postal items, including magazine wrap, and for packaging pouches via the form fill and seal process to make food and point of sale packaging. Customer feedback so far from the trials have been positive.

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

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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 fuelling 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 a resins plant in Malaysia. The Company also produces 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.

Appendix 4C

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

Name of entity

SECOS GROUP LIMITED

ABN

89 064 755 237

Quarter ended ("current quarter")

31 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,336	22,515
1.2 Payments for		
(a) research and development	(79)	(255)
(b) product manufacturing and operating costs	(5,283)	(16,179)
(c) advertising and marketing	(422)	(1,112)
(d) leased assets		
(e) staff costs	(772)	(2,429)
(f) administration and corporate costs	(350)	(871)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(44)	(146)
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	386	1,523
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(207)	(579)
(d) investments		
(e) intellectual property		

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(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	(207)	(579)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	3,020	3,020
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(143)	(143)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (principal component of lease payments)	(180)	(576)
3.10 Net cash from / (used in) financing activities	2,697	2,301

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	4,500	4,122
4.2	Net cash from / (used in) operating activities (item 1.9 above)	386	1,523
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(207)	(579)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,697	2,301
4.5	Effect of movement in exchange rates on cash held	8	17
4.6	Cash and cash equivalents at end of period	7,384	7,384

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	7,384	4,500
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,384	4,500

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	138
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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.

7.	Financing facilities <i>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.</i>	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)	386
8.2	Cash and cash equivalents at quarter end (item 4.6)	7,384
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	7,384
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 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	
	8.6.2 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	
	8.6.3 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	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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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: 26 April 2023

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.