

ASX RELEASE

3 July 2018

SECOS raises \$1.7m from issue of Convertible Notes

Highlights:

- **SECOS raises \$1,678,376 through the issue of Convertible Notes to new and existing sophisticated investors, with the investment to fund working capital and address demand for biodegradable resins and products**
- **With plastic waste disposal becoming an increasingly urgent global issue, SECOS is ideally positioned to help government and corporate customers define and implement more sustainable solutions and products**
- **Capital raised will provide SECOS with the financial flexibility to fund continued growth in its bioplastics business and support the Company's expansion plans in Malaysia**

Sustainable and eco-friendly bioplastics developer SECOS Group Limited (ASX: SES, "SECOS" or "the Company") is pleased to announce that it has raised \$1,678,376 through the issue and placement of unsecured convertible notes ("Notes").

A portion (\$320,000) of the Notes have been issued to directors, subject to shareholders' approval.

Proceeds of the issue are to fund additional working capital as the Company addresses new demand for bioplastic resin in international markets.

SECOS Group Managing Director, Stephen Walters, said:

"We are pleased to receive strong support in this capital raising, from both existing shareholders and new investors, as we look to capitalize on continued growth in demand for our unique compostable and biodegradable resins."

"Plastic waste disposal is becoming an increasingly urgent global issue. This has driven the recent market development of Australian state governments and supermarket chains taking leadership on banning traditional plastics. SECOS is now ideally positioned to help government and corporate customers on their journey toward environmental sustainability."

"SECOS gained a strong vote of confidence from existing investors who have recently exercised their rights to convert notes to shares in the Company, as the bulk of the funds raised through this new issue have come from these same parties."

With consumer push back against plastic bags and bottles now at an all time high the new Malaysian resin plant is expected to be at near capacity within 6 months for the initial line installed. Two more waves of equipment/additional lines are available within the facility. Increased demand for compostable resin is now coming from within Asia (including India) and South Africa, as well as the traditional fast growing markets of Europe and the USA.

“This investment will provide SECOS with the financial flexibility to fund continued growth in its bioplastics business and support the Company’s expansion plans in Malaysia.”

Convertible note details

With a face value per Note of \$1.00, the Notes will be convertible into fully paid ordinary shares in the Company at a conversion price at the lower of the following, subject to a capped price of \$0.12 per share:

- 85% of the volume weighted average price of SECOS shares over the 10 trading days immediately preceding the date the Company receives the Conversion Notice; and
- Minimum price of \$0.04 per share

Conversion of the Convertible Notes is permitted after 6 months and before three years, or redeemable for cash at face value if not redeemed before the end of the three-year term.

The Convertible Notes will accrue interest at a rate of 10% per annum with interest paid quarterly or until conversion into shares or redemption by the holder of the Convertible Note at the end of the term.

The Convertible Notes issued to the directors of the Company are on the same principal terms as those issued to the sophisticated investors, except for the requirement for shareholder approval on convertibility of the Convertible Notes.

All shares issued on conversion of the Convertible Notes will rank equally with the existing shares in the capital of the Company.

Convertible Notes will be issued under the Company’s 15% placement capacity pursuant to Listing Rule 7.1, and in compliance with ASX Listing Rule 7.8.

Please find attached an Appendix 3B relating to the issue of the Convertible Notes.

For more information, please contact:

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+ See chapter 19 for defined terms.

About SECOS Group Limited

SECOS Group Limited (ASX: SES) is a leading developer and manufacturer of eco-friendly bioplastic materials. Based in Melbourne, Australia, SECOS supplies its proprietary biodegradable resins, packaging products and high-quality cast films to a blue-chip global customer base.

SECOS holds a strong patent portfolio and the global trend toward sustainable packaging is fuelling the Company's growth, bringing FY17 revenue of \$22 million.

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 Nanjing, China, with manufacturing plants for high quality cast films in Melbourne and Kuala Lumpur, Malaysia. SECOS' annual production capacity is 7,200 tonnes of bioplastic resins, 15,000 tonnes of cast film and 2,000 tonnes of blown film and finished products.

SECOS has sales offices in Australia, Malaysia, China and the US, with a network of leading distributors across the Americas, Asia and Europe.

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

SECOS Group Limited

ABN

89 064 755 237

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1	+Class of +securities issued or to be issued	Convertible Notes
2	Number of +securities issued or to be issued (if known) or maximum number which may be issued	<p>1,358,106 Convertible Notes with a face value of \$1.00 each ("sophisticated investor convertible notes")</p> <p>320,270 Convertible Notes with a face value of \$1.00 each ("director convertible notes")</p>

3 Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)

Sophisticated Investor Convertible Notes:

The principal terms of the Sophisticated Investor Convertible Notes are as follows:

- The convertible notes are issued at \$1.00 each.
- The convertible notes are unsecured.
- The maturity date of the convertible notes is 3.0 years from issue date. i.e. 1-Jul-2021.
- Notes will accrue interest at a rate of 10% per annum with interest paid quarterly in arrears.
- Notes will be convertible into fully paid ordinary shares in the Company at a conversion price at the lower of the following, subject to a maximum price of \$0.12 per share and a minimum price of \$0.04 per share:
 - 85% of the volume weighted average price of SECOS shares over the 10 trading days immediately preceding the date the Company receives the Conversion Notice.
 - The price of any equity capital raising that occurred in the two-month period prior to the date the Company receives the Conversion Notice.
 - Conversion permitted after 6 months and before three years, or redeemable for cash at face value if not redeemed before the end of the term.

Director Convertible Notes:

The principal terms of the Director Convertible Notes are the same as for the Sophisticated Investor Convertible Notes except for:

- The conversion is subject to Shareholder approval under ASX Listing Rule 10.11.
- The Director Convertible Notes are classified as debt securities under ASX Listing Rule 19.12 until their convertibility is approved (for the securities to become equity securities) in accordance with the terms of their issue.

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

4	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Shares issued pursuant to the conversion of the Sophisticated Investor Convertible Notes will rank equally with fully paid ordinary shares.</p>
5	Issue price or consideration	<p>1,358,106 Convertible Notes with a face value of \$1.00 each ("sophisticated investor convertible notes")</p> <p>320,270 Convertible Notes with a face value of \$1.00 each ("director convertible notes")</p>
6	<p>Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Proceeds of the issue will be used to fund additional working capital to meet demand of biodegradable resins.</p>
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the +securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	<p>Yes.</p>
6b	<p>The date the security holder resolution under rule 7.1A was passed</p>	<p>30 November 2017</p>
6c	<p>Number of +securities issued without security holder approval under rule 7.1</p>	<p>NIL</p>

+ See chapter 19 for defined terms.

6d	Number of +securities issued with security holder approval under rule 7.1A	NIL	
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	NIL	
6f	Number of +securities issued under an exception in rule 7.2	NIL	
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A	
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Refer to Annexure 1	
7	<p>+Issue dates</p> <p>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.</p> <p>Cross reference: item 33 of Appendix 3B.</p>	30 June 2018	
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	Number	+Class
		229,547,883	Fully paid ordinary shares

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

	Number	+Class
9	300,000	Convertible Notes expiring 23-Dec-2018.
	1,392,308	Convertible Notes expiring 30-Nov-2020
	1,678,376	Convertible Notes expiring 1-Jul-2021
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	
	No plans to pay dividends at this stage	

Part 2 - Pro rata issue – Not applicable

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	
13	Ratio in which the +securities will be offered	
14	+Class of +securities to which the offer relates	
15	+Record date to determine entitlements	
16	Will holdings on different registers (or sub registers) be aggregated for calculating entitlements?	
17	Policy for deciding entitlements in relation to fractions	
18	Names of countries in which the entity has security holders who will not be sent new offer documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	
19	Closing date for receipt of acceptances or renunciations	

+ See chapter 19 for defined terms.

20	Names of any underwriters	
21	Amount of any underwriting fee or commission	
22	Names of any brokers to the issue	
23	Fee or commission payable to the broker to the issue	
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	
25	If the issue is contingent on security holders' approval, the date of the meeting	
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	
28	Date rights trading will begin (if applicable)	
29	Date rights trading will end (if applicable)	
30	How do security holders sell their entitlements <i>in full</i> through a broker?	
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	

+ See chapter 19 for defined terms.

- 32 How do security holders dispose of their entitlements (except by sale through a broker)?
- 33 ⁺Issue date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of ⁺securities
(tick one)

(a) ☒ ⁺Securities described in Part 1

(b) ☐ All other ⁺securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders
- 36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 ☐ A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of +securities for which +quotation is sought					
39	+Class of +securities for which quotation is sought					
40	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 					
41	<p>Reason for request for quotation now</p> <p><small>Example: In the case of restricted securities, end of restriction period</small></p> <p>(if issued upon conversion of another +security, clearly identify that other +security)</p>					
42	Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 50%;">Number</th> <th style="width: 50%;">+Class</th> </tr> <tr> <td style="height: 40px;"></td> <td></td> </tr> </table>	Number	+Class		
Number	+Class					

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: *[sent electronically without signature]*
Print name: Edmond Tern, Company Secretary

Date: **3 July 2018**

+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	163,774,986
Add the following: <ul style="list-style-type: none"> Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval Number of partly paid +ordinary securities that became fully paid in that 12 month period Note: <ul style="list-style-type: none"> Include only ordinary securities here – other classes of equity securities cannot be added Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annex It may be useful to set out issues of securities on different dates as separate line items 	49,236,847 16,536,049
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	-
“A”	229,547,883

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	34,432,182
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
Insert number of ⁺ equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:	
Under an exception in rule 7.2	
Under rule 7.1A	
With security holder approval under rule 7.1 or rule 7.4	23,984,937
Convertible Notes	1,678,376 convertible notes with face value of \$1.00 each
Note: <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
“C”	23,984,937
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	34,432,182
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	23,984,937
Total [“A” x 0.15] – “C”	10,447,246 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	229,547,883
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	22,954,788
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained • It may be useful to set out issues of securities on different dates as separate line items 	NIL
“E”	NIL
Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	22,954,788
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	NIL
Total [“A” x 0.10] – “E”	22,954,788 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.