



SECURITY MATTERS LIMITED (ASX: SMX)

PRE-QUOTATION DISCLOSURE NOTICE

15 October 2018

1. Background

The following information is required to be provided to ASX Limited (**ASX**) for release to the market in connection with the official quotation of the fully paid ordinary shares (**Shares**) in Security Matters Limited ACN 626 192 998 (**Security Matters** or **Company**).

Unless otherwise defined, capitalised terms used in this notice have the meaning given to them in the replacement prospectus lodged by the Company on 7 August 2018 (**Prospectus**) (as amended by the supplementary prospectus lodged by the Company on 10 August 2018 (**Supplementary Prospectus**)).

2. Close of the Offer under the Prospectus

The Company confirms that the Offer under the Prospectus has closed and that 30,000,000 Shares were issued with respect to the Offer at an issue price of \$0.20 per Share.

The Company has received cleared funds for the issue price of every Share issued under the Offer.

3. Confirmation of Close of Share Sale Agreement

The Company confirms that the share sale agreement dated 24 July 2018 between the Company and the shareholders of Security Matters Ltd., Israeli private company number 51-512577-1 (**Security Matters Israel**) (**SMI Shareholders**) with respect to the acquisition of 100% of the issued capital in Security Matters Israel by the Company (**Share Sale Agreement**), closed on Friday, 5 October 2018, and all conditions precedent to the close of the Share Sale Agreement were satisfied (without waiver).

4. Confirmation of Issue of Securities

The Company confirms that the following securities were issued on Monday, 8 October 2018:

- (a) **55,500,041** Shares to the SMI Shareholders and their nominees.
- (b) **30,000,000** Shares to investors under the Offer;
- (c) **5,515,293** options to the Lead Manager (or their nominee/s) in consideration for the capital raised under the Offer;
- (d) **11,999,959** Shares on conversion of convertible notes at \$0.14 per share;
- (e) **8,805,864** options to certain Directors and employees (including to certain nominees) under the Company's employee share option plan (**ESOP**);
- (f) **4,000,000** options to SMI Shareholders exercisable at \$0.20 expiring 5 years from the date of issue;



- (g) **15,000,000** performance options to the Executive Directors (including to certain nominees) exercisable at \$0.20 expiring 5 years from the date of issue.

5. Updated Pro-Forma Statement of Financial Position

The Company's updated pro-forma statement of financial position based on the actual amount of funds raised under the Prospectus is set out in Annexure A.

6. Statement of Commitment

The Company's updated statement of commitments based on the actual amount of funds raised under the Prospectus is as follows:

Updated Statement of Commitments	\$6 million raise	
	Year 1 (\$)	Year 2 (\$)
Sales and marketing	192,929	360,468
Personnel	138,429	296,143
Other costs	54,500	64,325
Research and Development of Technology	618,100	773,813
Reader development	289,833	341,880
Marker bank development	284,267	362,267
Blockchain adjustments	44,000	69,667
Expenses of the offer	1,011,046	
Lead manager	443,313	
Legal costs	255,000	
Royalty payment to Isorad	60,000	
Fees	94,298	
Investigating accountant and Taxation fees	58,919	
Other costs- design, printing, flights	99,517	
Payment of loan	357,143	357,143
Corporate overheads (G&A)	499,071	541,454
Salaries	348,571	383,429
Professional services & Office Expenses	78,500	82,425
Legal and professional expenses	72,000	75,600
Projects with strategic customers		1,288,834



\$6 million raise

Electronics	499,268
Gold	350,837
Diamonds	208,219
Raw Materials	230,511
Total	2,678,288
	3,321,712

7. No Impediments

The Company confirms that there are no legal, regulatory or contractual impediments to the Company undertaking the activities the subject of the commitments disclosed in the Prospectus.

8. Issue Date, Despatch Date and Refunds

The Company confirms that the despatch of:

- (a) in relation to all holdings on the CHESS sub-register, a notice from Security Matters under ASX Settlement Operating Rule 8.9.1;
 - (b) in relation to all other holdings, issuer sponsored holding statements; and
 - (c) any refund money,
- occurred on Monday, 8 October 2018.

9. Distribution Schedule

A distribution schedule setting out the numbers of holders of Shares and options in each of the following categories is provided in Annexure B. Each of these is a holder of Shares with a value of more than \$2,000 based on the Offer Price.

10. Statement of 20 Largest Holders

A statement setting out the names of the 20 largest holders of each class of securities to be quoted, including the number and percentage of each class of securities held by those holders, is provided in Annexure C.

11. Free Float

The Company confirms that at the time of admission to the official list of ASX it will have a free float of at least 20%.

12. Statement of Securities Subject to ASX Restrictions

The Company confirms that the securities subject to ASX restrictions and the restriction period applied to those securities are as follows:



PARTICULARS OF RESTRICTED SECURITIES	NO. OF HOLDERS	NO. OF SECURITIES
Fully Paid Ordinary Shares Escrowed 24 Months from Date of Official Quotation of Shares	9	40,107,753
Fully Paid Ordinary Shares Escrowed 12 Months from Date of Issue	27	3,265,603
Unquoted Options Escrowed 24 Months from Date of Official Quotation of Shares	22	25,270,328

13. Statement of Securities Subject to Voluntary Restrictions

The Company confirms that the securities subject to voluntary restrictions and the restriction period applied to those securities are as follows:

PARTICULARS OF RESTRICTED SECURITIES	NO. OF HOLDERS	NO. OF SECURITIES
Fully Paid Ordinary Shares Escrowed 24 Months from Date of Official Quotation of Shares	7	15,726,674
Fully Paid Ordinary Shares Escrowed 12 Months from Date of Issue	4	2,378,570
Unquoted Options Escrowed 24 Months from Date of Date of Official Quotation of Shares	14	8,050,829

14. Shareholder Loan Bonus Payment

The Company has separately disclosed the bonus payments required to be paid to Kibbutz Ketura ACS and Degania A Business Agricultural Cooperative Society Ltd as part of the loan agreement referred to in section 10.16(c) of the Prospectus.

15. Waiver from ASX Listing Rule 9.1.3

For the purposes of the waiver from ASX Listing Rule 9.1.3, the Company confirms that it has acquired 100% of the assets and 100% of the share capital of Security Matters Israel under the Share Sale Agreement (pursuant to Resolution 3 above).

16. Additional Information for Provision to the Market

The Company has separately provided ASX with copies of the following documents:

- (a) copies of restriction agreements entered into by the Company and certain shareholders, together with undertakings provided by Boardroom Pty Ltd in relation to the restricted securities of the Company;
- (b) the Company's Appendix 1A and Information Form and Checklist;
- (c) the Company's Prospectus;
- (d) the Company's Supplementary Prospectus;



- (e) the Company's Constitution;
- (f) reviewed half year accounts of Security Matters Israel for the period ended 30 June 2018;
- (g) audited accounts of Security Matters Israel for the full years ended 31 December 2015, 31 December 2016 and 31 December 2017;
- (h) the ESOP (on which the SMI shareholders and certain Directors and employees (including to certain nominees) received options over Shares);
- (i) full terms and conditions of the Executive Directors' performance options;
- (j) the Company's securities trading policy;
- (k) Disclosure in a form satisfactory to ASX on bonus payment required to be paid to Kibbutz Ketura ACS and Degania A Business Agricultural Cooperative Society Ltd as part of the loan agreement referred to in section 10.16(c) of the Prospectus; and
- (l) the full terms and conditions of the options to RM Corporate Finance Ltd.



Signed for and on behalf of the Board

A handwritten signature in black ink, appearing to read "Mark Licciardo", with a long, sweeping horizontal stroke extending to the right.

Mark Licciardo
Company Secretary



**Annexure A – PRO-FORMA HISTORICAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

As at 31 December 2017 Amount in 000s	Security Matters Israel (US\$)	Security Matters Israel (AU\$)	Pro forma adjustments	Security Matters Pro forma
Current assets				
Cash and cash equivalents	11	15	6,106	6,121
Other accounts receivable	163	220	-	220
Total current assets	174	235	6,106	6,341
Non-current assets				
Property, plant and equipment	360	486	-	486
Intangible assets	779	1,053	-	1,053
Total non-current assets	1,139	1,539	-	1,539
Total assets	1,313	1,774	6,106	7,880
Current liabilities				
Trade payables	391	528	-	528
Other accounts payable	352	476	-	476
Convertible loan at fair value	3,586	4,846	(4,846)	-
Loans from related parties	72	97	-	97
Total current liabilities	4,401	5,947	(4,846)	1,101
Non-current liabilities				
Loans from related parties	476	643	-	643
Other long term liabilities	95	128	-	128
Total non-current liabilities	571	772	-	772
Total liabilities	4,972	6,719	(4,846)	1,873
Net assets	(3,659)	(4,945)	10,952	6,007
Equity				
Share based payments reserve	720	973	605	1,578
Prepayments on account of shares	130	176	(176)	-
Share capital	1,250	1,689	12,364	14,053
Retained profits	(5,759)	(7,782)	(1,841)	(9,624)
Total equity	(3,659)	(4,945)	10,952	6,007



Notes:

1. All amounts disclosed in the tables, unless otherwise noted, are presented in Australian dollars and rounded to the nearest thousand. Rounding in the Financial Information may result in some immaterial rounding differences between totals and sums of components and the total percentage calculations outlined within tables, figures and commentary.
2. Where applicable, amounts disclosed in the above table have been translated from the reporting currency of US Dollars to Australian dollars at the closing rate applicable as at 30 June 2018 being 1.35.



Annexure B – DISTRIBUTION SCHEDULE

Analysis of Holdings

Security Matters Ltd

08-10-2018

BoardRoom

Security Classes

Fully Paid Ordinary Shares

Fully Paid Ordinary Shares ASX Escrowed 12 Months from Issue

Fully Paid Ordinary Shares ASX Escrowed 24 Months from Quotation

Fully Paid Ordinary Shares Vol Escrow 12 Mths from 27-06-18

Fully Paid Ordinary Shares Vol Escrow 24 Mths from Quotation

Holdings Ranges	Holders	Total Units	%
1 - 1,000	0	0	0.000
1,001 - 5,000	0	0	0.000
5,001 - 10,000	167	1,670,000	1.707
10,001 - 100,000	157	6,242,011	6.381
100,001 - 99,999,999,999	86	89,909,415	91.912
TOTAL	410	97,821,426	100



Annexure C – 20 LARGEST SHAREHOLDERS

Top 20 Holdings

Security Matters Ltd

08-10-2018



Security Classes

Fully Paid Ordinary Shares
Fully Paid Ordinary Shares ASX Escrowed 12 Months from Issue
Fully Paid Ordinary Shares ASX Escrowed 24 Months from Quotation
Fully Paid Ordinary Shares Vol Escrow 12 Mths from 27-06-18
Fully Paid Ordinary Shares Vol Escrow 24 Mths from Quotation

Holder Name	Securities	%
ENERGY KETURA COOPERATIVE AGRICULTURAL SOCIETY LTD	17,804,623	18.201%
DEGANIA A BUSINESS AGRICULTURAL COOPERATIVE SOCIETY LTD	10,544,617	10.779%
BENGUY ESCROW COMPANY LTD	5,135,949	5.250%
CAPE BOUVARD EQUITIES PTY LTD	4,000,000	4.089%
PINNI MEIDAN	3,766,362	3.850%
MENACHEM ELIYAHU HARAM	3,766,362	3.850%
AARON LEV	3,423,966	3.500%
KIBBUTZ KEFAR GLIKSON HOLDINGS ACS	2,655,530	2.715%
KIBBUTZ KETURA ACS	2,437,458	2.492%
KIBBUTZ YIZRAEL HOLDINGS 2004 ACS	2,124,815	2.172%
KIBBUTZ MAGEN ACS	2,124,815	2.172%
HAROLD CHARLES MITCHELL	1,500,000	1.533%
DAVFT PTY LTD <DAVENPORT FAMILY A/C>	1,428,571	1.460%
BENGUY ESCROW COMPANY LIMITED <THE NACRE A/C>	1,428,379	1.460%

Holder Name	Securities	%
KAFRIT INDUSTRIES (1993) LTD	1,311,868	1.341%
FRALARA PTY LTD <FRAID ALARA FAMILY A/C>	1,250,000	1.278%
ALARA PTY LTD <ALARA INVESTMENTS FUND A/C>	1,250,000	1.278%
DORON AFIK	961,050	0.982%
APERDEV INVESTMENTS INC.	952,000	0.973%
HB ENTERPRISES	814,957	0.833%
TOTALS	68,681,322	70.211%

Total Securities of Top 20 Holdings : 68,681,322

Total Securities: 97,821,426