



15 October 2018

ASX ANNOUNCEMENT

SECURITY MATTERS LIMITED (ASX: SMX)

FULL TERMS OF THE OPTIONS ISSUED TO THE PROMOTER

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

Unless otherwise defined in this announcement, capitalised terms used in this announcement have the meaning given to them in the Prospectus dated 24 July 2018 (as varied by the Replacement Prospectus dated 7 August 2018) (**Replacement Prospectus**) and the Supplementary Prospectus dated 10 August 2018 (**Supplementary Prospectus**).

The full terms and conditions of the options to the Promoter under the Promoter Offer are set out in the Schedule to this announcement.

Signed for and on behalf of the Board

A handwritten signature in black ink, appearing to read "Mark Licciardo", with a stylized flourish extending to the right.

Mark Licciardo
Company Secretary

SCHEDULE: TERMS OF OPTIONS TO THE PROMOTER

1. Entitlement

- (a) Security Matters Limited (ACN 626 192 998) of Level 8, 555 Bourke Street, Melbourne, Victoria 3000, Australia (**Company**) will issue options to RM Corporate Finance Pty Ltd (or their nominee/s) (**Optionholder**), which entitles the Optionholder to subscribe for one Share for each option at the exercise price specified in clause 3, during the option period specified in clause 4 of this Schedule (**Options**).
- (b) The Options are not transferrable.

2. Issue price

No amount is payable on issue of the Options, however, the parties acknowledge and agree that the Company has issued the Options in consideration for the Optionholder providing marketing and equity raising services to the Company.

3. Escrow

The Optionholder acknowledges that the Options will be subject to escrow under ASX Listing Rules and agrees to sign any restriction agreement in a timely manner as required as part of the IPO process.

4. Exercise price

The exercise price of an Option is at a 150% premium of the offer price – i.e. \$0.30.

5. Option period and vesting

- (a) The Options may be exercised in whole at any time after the issue of the Option and if not exercised, the Options automatically expire 36 months after the issue of the Options.
- (b) The Options will expire automatically if the Company is not, following their issue, admitted to the ASX as part of the listing of Security Matters Limited (with respect to which the Agreement was entered into).

6. Participation rights, bonus issues, rights issues and reorganisations

6.1 Participation

The Optionholder is not entitled to participate in any new issue to existing shareholders of securities in the Company unless he has exercised his Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding shares.

6.2 Notice of new issue

The Company must give the Optionholder, in accordance with the ASX Listing Rules, notice of:

- (a) the proposed terms of the issue or offer proposed under clause 6.1 of this Schedule; and
- (b) where the option can be exercised by the Optionholder, the right to exercise his option under clause 6.1 of this Schedule.

6.3 Bonus issues

If the Company makes a bonus issue of shares or other securities to shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the option is exercisable is increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the option before the record date for determining entitlements to the issue.

6.4 Pro rata issues

If the Company makes a pro rata issue of Shares (except a bonus issue) to existing shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the option before the record date for determining entitlements to the issue, the exercise price of each option is reduced in accordance with the ASX Listing Rules.

6.5 Reorganisation

If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Optionholder (including the number of options to which the Optionholder is entitled to and the exercise price) is changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

6.6 Calculations and adjustments

Any calculations or adjustments which are required to be made under clause 6 of this Schedule will be made by the Board of the Company and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Optionholder.

6.7 Notice of change

The Company must within a reasonable period give to the Optionholder notice of any change under clause 6 of this Schedule to the exercise price of any options held by the Optionholder or the number of shares which the Optionholder is entitled to subscribe for on exercise of an option.

7. Method of exercise of options

7.1 Method and payment

To exercise options, the Optionholder must give the Company or its share registry, at the same time:

- (a) a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of options being exercised and shares to be issued; and
- (b) payment of the exercise price for the Shares the subject of the exercise notice by way of bank cheque or by other means of payment approved by the Company.

7.2 Exercise of Options

- (a) The Optionholder may exercise the Options in part or in whole.
- (b) Options will be deemed to have been exercised on the date the application is lodged with the directors of the Company.

7.3 Issue of Shares

Within 10 days after receiving an application for exercise of options and payment by the Optionholder of the exercise price, the Company must issue the Optionholder the number of Shares specified in the application.

8. Ranking of Shares issued on exercise of options

Subject to the Company's constitution, all Shares issued on the exercise of Options rank in all respects (including rights relating to dividends) pari passu with the existing Shares at the date of issue.

9. Quotation

- (a) The Company will not apply to ASX Limited for official quotation of the Options.
- (b) The Company will apply to ASX Limited for official quotation of the Shares issued on exercise of Options.