



(ACN 626 192 998)

## Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Shareholders of Security Matters Limited (**SMX** or the **Company**) will be held as follows:

Date: **Wednesday 15 May 2019**

Time: **5:00pm (AEST)**

Venue: **C/- Holding Redlich Lawyers, Level 8, 555 Bourke Street, Melbourne, VIC, 3000**

### Business

#### *Financial Statements and Reports*

To receive and consider the Company's Annual Financial Report, including the Directors' Report and the Auditor's Report for the year ended 31 December 2018.

#### **1. Adoption of Remuneration Report**

To consider and, if thought fit, to pass the following resolution as a **non-binding ordinary resolution**:

*"That the Company adopt the remuneration report for the year ended 31 December 2018 in accordance with section 250R(2) of the Corporations Act 2001 (Cth)."*

#### **Notes:**

The vote on this resolution is advisory only and does not bind the Directors or the Company.

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 1:

- by or on behalf of a member of the Company's Key Management Personnel (**KMP**) whose remuneration details are disclosed in the remuneration report for the year ended 31 December 2018 or their closely related parties, in any capacity; or
- as a proxy by a person who is a member of the Company's KMP at the date of the meeting or their closely related parties.

However, votes will not be disregarded if they are cast as proxy for a person who is entitled to vote on Resolution 1:

- in accordance with the directions on the proxy form; or
- by the person chairing the Meeting, in accordance with an express authorisation to exercise the proxy even though Resolution 1 is connected with the remuneration of KMP.

The Chairman intends to vote all available undirected proxies in favour of Resolution 1.

#### **2. Re-election of Dr Gregory John Clark as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That Dr Gregory John Clark, having retired by rotation in accordance with article 20.3 of the Company's Constitution, being eligible and offering himself for re-election, be re-elected as a Director of the Company."*

#### **3. Appointment of Auditor**

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That, in accordance with section 327B(1)(a) of the Corporations Act 2001 (Cth) and for all other purposes, BDO East Coast Partnership having been nominated by a Shareholder and consented in writing to act in the capacity of Auditor, be appointed as the Auditor of Security Matters Limited."*

#### 4. Approval of Additional 10% Placement Capacity

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That for the purpose of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue of equity securities of up to 10% of the total issued share capital of the Company (at the time of the issue), calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 over a 12 month period and on the terms and conditions set out in the Explanatory Memorandum.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of Resolution 4 by a person who may participate in the proposed issue of equity securities under the 10% Placement Capacity, and any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the entity), if this resolution is passed; and any associate of such a person, unless the vote is cast:

- (a) by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Chairman intends to vote all available undirected proxies in favour of Resolution 4.

**Note:** *In accordance with ASX Listing Rule 14.11.1 and the relevant note under that rule concerning ASX Listing Rule 7.1A, as at the date of this notice of Meeting it is not known who may participate in the proposed issue (if any). On that basis, no Shareholders are currently excluded.*

#### 5. Approval of issue of Options to Dr Gregory John Clark or his nominee in accordance with Listing Rule 10.11

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That approval be given, pursuant to ASX Listing Rule 10.11, for the issue of 250,000 unlisted Options over Ordinary Shares to Dr Gregory John Clark or his nominee, details of which are set out in the Explanatory Memorandum.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of Resolution 5 by:

- (a) Dr Gregory John Clark; and
- (b) Any of his associates.

However, the entity need not disregard a vote if:

- It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Chairman intends to vote all available undirected proxies in favour of Resolution 5.

#### 6. Ratification of issue of Ordinary Shares pursuant to ASX Listing Rule 7.4

To consider and if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That in accordance with ASX Listing Rule 7.4, the Company ratifies and approves for the purposes of ASX Listing Rule 7.1, the issue of 12,000,000 Fully Paid Ordinary Shares in the capital of the Company, details of which are set out in the Explanatory Memorandum attached.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of a person who participated in the issue and any associates of those persons.

However, the entity need not disregard a vote if:

- It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Chairman will vote all available undirected proxies in favour of Resolution 6.

### Other information

An Explanatory Memorandum accompanies and forms part of this notice of Annual General Meeting.

All Shareholders should read the Explanatory Memorandum carefully and in its entirety. Shareholders who are in doubt regarding any part of the business of the Meeting should consult their financial or legal adviser for assistance.

### Voting by proxy

Any Shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of that Shareholder. The proxy does not need to be a Shareholder of the Company and can be either an individual or a body corporate. A Shareholder can appoint a proxy by completing and returning a signed proxy form.

A Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes.

If a Shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- (a) appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the *Corporations Act 2001* (Cth) (the **Corporations Act**); and
- (b) provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

If you wish to indicate how your proxy should vote, please mark the appropriate boxes on the proxy form. If you do not direct your proxy how to vote on a particular item of business, you are authorising your proxy to vote as they decide, subject to any applicable voting exclusions.

If your proxy does not attend the Meeting, the Chairman will become your proxy by default. The Chairman intends to vote in favour of all resolutions on the agenda.

If you appoint the Chairman of the Meeting as your proxy or the Chairman of the Meeting is appointed as your proxy by default, and you do not provide any voting directions on your proxy form, by completing and returning the proxy form you will be expressly authorising the Chairman of the Meeting to cast your vote as he sees fit. If you intend to appoint a member of the KMP (other than the Chairman) or any of their closely related parties as your proxy on Resolution 1, please ensure that you direct them how to vote on Resolution 1.

Proxies must be:

- (a) lodged at the Company's share registry, Boardroom Pty Limited (by hand or by post); or
- (b) faxed to the fax number specified below,

**no later than 5:00pm (AEST) on Monday 13 May 2019.**

Address (hand deliveries): Boardroom Pty Limited  
Level 12, 225 George Street, Sydney NSW 2000

Address (postal deliveries): Boardroom Pty Limited  
GPO Box 3993, Sydney NSW 2001

Fax number for lodgement: +61 2 9290 9655

The proxy form has been enclosed. Please read all instructions carefully before completing the proxy form.

### Online Voting

Please visit <https://www.votingonline.com.au/smxagm2019> to submit your voting intentions.

### **Entitlement to vote**

In accordance with section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Company has determined that for the purposes of the meeting shares will be taken to be held by the persons who held them as registered Shareholders at 7.00 pm (AEST) on Monday 13 May 2019. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

### **Voting Intentions**

Subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of all resolutions on the agenda.

In respect of all available undirected proxies, subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of all resolutions on the agenda.

### **Questions and Comments by Shareholders at the Meeting**

In accordance with the Corporations Act, a reasonable opportunity will be given to Shareholders - as a whole - to ask questions or make comments on the management of the Company at the Annual General Meeting.

Similarly, a reasonable opportunity will be given to Shareholders - as a whole - to ask questions to the Company's external Auditor, BDO East Coast Partnership, relevant to:

- (a) the conduct of the audit;
- (b) the preparation and contents of the audit;
- (c) the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to BDO East Coast Partnership if the question is relevant to the content of BDO East Coast Partnership's audit report or the conduct of its audit of the Company's financial report for the year ended 31 December 2018.

Relevant written questions to BDO East Coast Partnership must be submitted no later than 5:00pm (AEST) on Wednesday 8 May 2019. A list of those questions will be made available to Shareholders attending the meeting. BDO East Coast Partnership will either answer questions at the meeting or table written answers to them at the meeting. If written answers are tabled at the meeting, they will be made available to Shareholders as soon as practicable after the meeting.

### **Please send written questions for BDO East Coast Partnership to:**

By facsimile - +61 3 9602 4709;

Post to – C/ Mertons Corporate Services Pty Ltd – Level 7, 330 Collins Street, Melbourne VIC 3000

By order of the Board



**Mark Licciardo**  
**Company Secretary**



(ACN 617 155 978)

## Explanatory Memorandum

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This Explanatory Memorandum sets out further information regarding the proposed resolutions to be considered by Shareholders of Security Matters Limited (**SMX** or the **Company**) at the 2019 Annual General Meeting to be held commencing at 5:00pm (AEST) on Wednesday 15 May 2019 at C/- Holding Redlich Lawyers, Level 8, 555 Bourke Street, Melbourne, VIC, 3000.

The Directors recommend that Shareholders read this Explanatory Memorandum before determining whether or not to support the resolutions.

### Financial Statements and Reports

Under section 317 of the Corporations Act, SMX is required to lay its Annual Financial Report, Directors' Report and Auditor's Report before its Shareholders at its Annual General Meeting. The Annual Financial Report is submitted for Shareholders' consideration and discussion at the Annual General Meeting as required. Meeting attendees are invited to direct questions to the Chairman in respect of any aspect of the report they wish to discuss. There is no requirement, either in the Corporations Act or the Company's Constitution, for Shareholders to approve the reports.

Representatives of SMX's auditor, BDO East Coast Partnership, will be present for discussion purposes on matters of relevance to the audit.

Shareholders can access a copy of the annual report on the Company's website at <https://www.securitymattersltd.com/>.

### Resolution 1 – Adoption of Remuneration Report

**Board recommendation and undirected proxies.** The Board recommends that Shareholders vote in **FAVOUR** of Resolution 1. The Chairman of the meeting intends to vote all available undirected proxies in **FAVOUR** of Resolution 1.

Resolution 1 provides Shareholders the opportunity to vote on SMX's Remuneration Report. The Remuneration Report is contained in the Directors' Report. Under section 250R(2) of the Corporations Act, SMX must put the adoption of its Remuneration Report to a vote at its Annual General Meeting.

This vote is advisory only and does not bind the Directors or SMX.

The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at this meeting when reviewing SMX's remuneration policies. If 25% or more of the votes that are cast are voted against the adoption of the Remuneration Report at two consecutive Annual General Meetings, Shareholders will be required to vote at the second of those Annual General Meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of SMX's Directors other than the Managing Director must be offered up for election.

Key Management Personnel (including Directors) and their closely related parties must not cast a vote on the Remuneration Report, unless as holders of directed proxies for Shareholders eligible to vote on Resolution 1.

SMX encourages all Shareholders to cast their votes on this resolution. The Chairman intends to vote all available undirected proxies in favour of this resolution. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.

### Resolutions 2 – Re-election of Dr Gregory John Clark as a Director

**Board recommendation and undirected proxies.** The Board (other than Dr Clark) recommends that Shareholders vote in **FAVOUR** of Resolution 2. The Chairman of the meeting intends to vote all available undirected proxies in **FAVOUR** of Resolutions 2.

Dr Gregory John Clark is due to retire from the Board in accordance with the Constitution, and, being eligible, offers himself for re-election.

Dr Clark was appointed to the Board on 24 July 2018.

Dr Gregory Clark is a world-renowned scientist, technologist and businessman. Dr Clark spent 15 years as a Research Staff Member and Group Leader in IBM's Research Division in New York and subsequently, became the President and Director of News Technology Group. Dr Clark was also the President and Chief Operating Officer of Loral Space and Communications, the world's largest commercial satellite manufacturer and, at that time, the world's second largest satellite operator.

Dr Gregory Clark is currently a Director of NextDC (ASX: NXT), the largest Australian data centre company, Chairman of KaComm Communications, Chairman of the Australian National University Advisory Board on Science and Engineering, Chairman of CUDOS, a research centre of excellence across several universities, a Questacon Board Member and a Royal Institution of Australia Board Member. Recently, Dr Clark retired as a Director of the ANZ Banking Group (ASX: ANZ) and has chaired a number of companies in the Americas and Europe.

### **Resolution 3 – Appointment of Auditor**

**Board recommendation and undirected proxies.** The Board recommends that Shareholders vote in **FAVOUR** of Resolution 3. The Chairman of the meeting intends to vote all available undirected proxies in **FAVOUR** of Resolutions 3.

Member approval for the re-appointment of BDO East Coast Partnership as the Auditor for the Company whose tenure as Auditor ceases at this, the Company's first Annual General Meeting.

Section 327A(2) of the Corporations Act requires that the initial auditor of a public company holds office only until the Meeting at which time the appointment will automatically lapse. Under section 327B(1) of the Corporations Act, the Company must appoint an auditor at its first Annual General Meeting. BDO East Coast Partnership have been duly nominated as the Company's Auditor by a Shareholder as required by section 328B(1) of the Corporations Act. A copy of the nomination is annexed to this Explanatory Memorandum. In accordance with section 328B(3) of the Corporations Act, all persons to whom notice of the nomination must be made have been notified.

BDO East Coast Partnership has acted as Auditor for the Company, including for the purposes of the annual report for the financial year ended 31 December 2018. BDO East Coast Partnership has given its consent to act as Auditor for the Company.

### **Resolution 4 – Approval of Additional 10% Placement Capacity**

**Board recommendation and undirected proxies.** The Board recommends that Shareholders vote in **FAVOUR** of Resolution 4. The Chairman of the meeting intends to vote all available undirected proxies in **FAVOUR** of Resolution 4.

ASX Listing Rule 7.1A provides that an eligible entity may seek Shareholder approval by special resolution at its Annual General Meeting to issue equity securities equivalent to an additional 10% of the number of ordinary securities on issue over a period of 12 months after the Annual General Meeting (10% Placement Capacity). This is in addition to the existing 15% placement capacity permitted by ASX Listing Rule 7.1.

If Shareholders approve Resolution 4, the number of equity securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out below).

An eligible entity is one that, as at the date of the relevant Annual General Meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an eligible entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of less than \$300,000,000.

Any equity securities issued must be in the same class as an existing class of quoted equity securities. The Company currently has one class of quoted equity securities on issue, being Shares (ASX Code: SMX).

The number of equity securities that the Company may issue under the approval sought by Resolution 4 will be calculated in accordance with the following formula as set out in ASX Listing Rule 7.1A:

$$(A \times D) - E$$

Where:

**A** = the number of fully paid Shares on issue 12 months before the date of issue or agreement to issue:

- (i) plus the number of Shares issued in the 12 months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid Shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid Shares issued in the 12 months under Listing Rules 7.1 and 7.4; and
- (iv) less the number of fully paid Shares cancelled in the 12 months.

**D** = 10%.

**E** = the number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of the Shareholders under Listing Rule 7.1 or 7.4.

*Technical information required by Listing Rule 7.1A*

While the Company does not have any immediate plans to issue shares, purposes for which shares may be issued pursuant to Resolution 4 may include the raising of capital to facilitate further investment opportunities.

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to Resolution 4:

**Minimum Price:** Under the ASX Listing Rules, the minimum price at which the equity securities may be issued is 75% of the volume weighted average price of equity securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the equity securities are to be issued is agreed; or
- (ii) if the equity securities are not issued within 5 ASX trading days of the date in paragraph (i) above, the date on which the equity securities are issued.

**Risk of voting dilution:** Shareholders should be aware there is a risk of economic and voting dilution that may result from an issue of equity securities under the 10% Placement Capacity, including the risk that:

- the market price for equity securities in that class may be significantly lower on the issue date than on the date of the Meeting where approval is being sought; and
- the equity securities may be issued at a price that is at a discount to the market price for those equity securities on the date of issue.

Any issue of equity securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any equity securities under the issue.

If Resolution 4 is approved by Shareholders and the Company issues the maximum number of equity securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the potential dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A.2, on the basis of the current market price of the Shares and the current number of Shares on issue as at the date of this Notice of Meeting. The table also assumes that no options on issue are exercised into Shares before the date of issue of the equity securities.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.<sup>1</sup>

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$ 0.268 50% decrease in Issue Price	\$ 0.535 Issue Price	\$ 1.070 100% increase in Issue Price
<b>Current Variable A</b> 97,500,001	<b>10% Voting dilution</b>	9,750,000	9,750,000	9,750,000
	<b>Funds raised</b>	\$ 2,608,125	\$ 5,216,250	\$ 10,432,500
<b>50% increase in current Variable A</b> 146,250,002	<b>10% Voting dilution</b>	14,625,000	14,625,000	14,625,000
	<b>Funds raised</b>	\$ 3,912,188	\$ 7,824,375	\$ 15,648,750
<b>100% increase in current Variable A</b> 195,000,002	<b>10% Voting dilution</b>	19,500,000	19,500,000	19,500,000
	<b>Funds raised</b>	\$ 5,216,250	\$ 10,432,500	\$ 20,865,000

<sup>1</sup> The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of shares available under ASX Listing Rule 7.1A;
- (ii) The table shows only the effect of shares issues under ASX Listing Rule 7.1A and does not factor in the Company's ability to issue up to 15% of its issued capital under ASX Listing Rule 7.1;
- (iii) The current issue price is \$0.535, being the closing price of the shares on ASX on 5 April 2019.
- (iv) The current number of shares on issue is the shares on issue as at 5 April 2019 being 97,500,001.

The table shows:

- two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of shares the Company has on issue. The number of shares on issue may increase as a result of issues of shares that do not require approval (for example, a pro rata entitlements issue) or future specific placements under ASX Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- two examples of where the issue price of shares has decreased by 50% and increased by 100% as against the current market price.

**Date of Issue:** If Shareholder approval is granted for Resolution 4, then that approval will expire on the earlier of:

- (i) 15 May 2020, being 12 months from the date of the Meeting; or
- (ii) the date Shareholder approval is granted to a transaction under ASX Listing Rule 11.1.2 (proposed change to nature and scale of activities) or ASX Listing Rule 11.2 (change involving main undertaking).

The approval under ASX Listing Rule 7.1A will cease to be valid in the event that Shareholders approve a transaction under ASX Listing Rule 11.1.2 or 11.2.

**Purpose of Issue under 10% Placement Capacity:** The Company may issue equity securities under the 10% Placement Capacity for various purposes including the following:



- (i) to raise cash, in which case the Company intends to use funds raised for investment purposes in line with the Company's investment policy outlined in the Company's prospectus or to fund expenditure on existing assets or for general working capital; or
- (ii) as non-cash consideration for investments, and in such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.

**Allocation under the 10% Placement Capacity:** The allottees of the equity securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of equity securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the equity securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

**Previous Approval under ASX Listing Rule 7.1A:** The Company has not previously obtained Shareholder approval under ASX Listing Rule 7.1A.

**Resolution 5 – Approval of issue of Options to Dr Gregory John Clark or his nominee in accordance with Listing Rule 10.11**

**Board recommendation and undirected proxies.** The Board (other than Dr Clark) recommends that Shareholders vote in **FAVOUR** of Resolution 5. The Chairman of the meeting intends to vote all available undirected proxies in **FAVOUR** of Resolution 5.

The proposed grant is in respect of 250,000 Options to be granted to Dr Clark, within one month of the date of the Annual General Meeting. Remunerating in this manner reduces the cash cost of the Company and aligns the Company's rewards with those of Shareholders. The 250,000 Options are exercisable at an exercise price of \$0.31.

As Dr Clark is considered a related party of the Company, ASX Listing Rule 10.11 requires Shareholder approval for the proposed grant of options. If Shareholder approval is given under Listing Rule 10.11, Shareholder approval is not required under Listing Rule 7.1.

The Options will be issued for nil consideration and accordingly no funds will be raised by the grant of Options to Dr Clark. However upon exercise of the Options the funds subscribed for Shares will be employed for working capital.

The terms of the Options are as follows:

- The Company will grant Dr Clark or his nominee 250,000 Options within one month of the Annual General Meeting, if Shareholders give their approval to the grant;
- 50% vests in 12 months and 50% vests in 24 months after the issue of the Option;
- The Options may not be re-assigned or transferred;

- The Options expire 5 years after the issue of the Options;
- Following vesting, the Options may be retained in the event Dr Clark ceases in his role as Board Member;
- The Shares issued on the exercise of the Options will be subject to voluntary escrow until 15 October 2020; and
- The Options are subject to the ASX Listing Rules relating to capital reorganisation. The rights of an Option holder may be changed to comply with the listing rules applying to a reorganisation of capital at the time of the reorganisation.

Notwithstanding that the terms of the Options provide for them to be granted within three months of the meeting, ASX Listing Rule 10.11 provides that such securities be granted no later than one month after the date of this meeting.

#### **Resolution 6 - Ratification of issue of Ordinary Shares pursuant to ASX Listing Rule 7.4**

**Board recommendation and undirected proxies.** The Board recommends that Shareholders vote in **FAVOUR** of Resolution 6. The Chairman of the meeting intends to vote all available undirected proxies in **FAVOUR** of Resolution 6.

In March 2019, the Company announced the Placement under which 12,000,000 Shares (Placement Shares) were issued at a price of \$0.50 per Share raising \$6,000,000 before costs. The Placement Shares were issued to certain investors on 8 April 2019 following a capital raise led by RM Corporate Finance Pty Ltd, Lead Manager and Broker of the Placement. The Placement Shares rank equally with existing ordinary shares on issue.

Information regarding the Placement was lodged with the ASX on 1 April 2019.

ASX Listing Rule 7.1 imposes a cap on the number of securities that a company may issue within the 12 month period. ASX Listing Rule 7.4 provides that an issue of equity securities made without Shareholder approval under Listing Rule 7.1 is treated as having been made with Shareholder approval for the purposes of Listing Rule 7.1 if the holders of ordinary securities subsequently approve it, and the issue did not breach Listing Rule 7.1. The issues of the shares described below did not breach any Listing Rules and Shareholder ratification to those issues is now sought.

In order to restore the Company's capacity to issue shares, it is proposed that the Shareholders ratify the issue of ordinary shares as detailed below. Ratification provides the Company with flexibility in capital management and allows the Company to make further issues for working capital or other purposes as required.

As advised in the Company's ASX announcement on 1 April 2019, the proceeds raised will provide the growth capital to allow SMX to build out its capability to serve existing customers and to aggressively roll out its commercialisation strategy with blue-chip international companies.

#### **Information required by Listing Rule 7.5**

In accordance with ASX Listing Rule 7.5, Shareholders are provided the following information:

<b>The number of securities issued</b>	12,000,000 Ordinary Shares
<b>The price at which the securities were issued</b>	\$0.50 per Share
<b>The terms of the securities</b>	Fully paid ordinary shares in the capital of the Company which ranked, from the date of their issue, pari passu to existing securities and not subject to a trading lock.
<b>The names of the persons to whom the entity issued the securities or the basis on which those persons were determined</b>	Certain sophisticated investors nominated by RM Corporate Finance Pty Ltd, who acted as Lead Manager and Broker for the Placement

<b>The use (or intended use) of the funds raised</b>	As advised in the Company's ASX announcement on 1 April 2019, the proceeds raised will provide the growth capital to allow SMX to build out its capability to serve existing customers and to aggressively roll out its commercialisation strategy with blue-chip international companies.
<b>A voting exclusion statement</b>	A voting exclusion statement is included under Resolution 6 in this Notice of Meeting

### Glossary

In this Explanatory Memorandum, and the Notice of Meeting:

**Board** means the Board of Directors of the Company.

**Company** means Security Matters Limited.

**Constitution** means the Constitution of the Company.

**Director** means a Director of the Company.

**Explanatory Memorandum** means this Explanatory Memorandum which forms part of the Notice of Meeting.

**ASX Listing Rules** means the listing rules of the ASX Limited.

**Meeting** means the Annual General Meeting of the Company the subject of this Notice of Meeting scheduled to occur on Wednesday 15 May 2019.

**Shareholder** means a holder of a Share.

**Share** means a fully paid ordinary share in the capital of the Company.

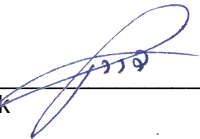
1 April 2019

Security Matters Limited  
C/- Holding Redlich Lawyers  
Level 8  
555 Bourke Street  
Melbourne VIC 3000

RE: NOTICE OF NOMINATION OF AUDITOR IN ACCORDANCE WITH SECTION 328B OF THE  
CORPORATIONS ACT 2011 (Cth)

Doron Afik, being a Member of Security Matters Limited, nominates BDO East Coast Partnership of Collins Square, Tower 4, Level 18, 727 Collins Street, Melbourne, VIC, 3008, for appointment to the position of Auditor of the Company at the next Annual General Meeting.

Doron Afik





#### All Correspondence to:

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

☎ **By Phone:** (within Australia) 1300 737 760  
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## YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 5:00pm (AEST) on Monday, 13 May 2019.**

### 🖥 TO VOTE ONLINE

**STEP 1: VISIT** <https://www.votingonline.com.au/smxagm2019>

**STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**

**STEP 3: Enter your Voting Access Code (VAC):**

### 📱 BY SMARTPHONE



Scan QR Code using smartphone  
QR Reader App

### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

##### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

##### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders should sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

#### STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **5:00pm (AEST) on Monday, 13 May 2019**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**Proxy forms may be lodged using the enclosed Reply Paid Envelope or:**

🖥 **Online** <https://www.votingonline.com.au/smxagm2019>

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia

👤 **In Person** Boardroom Pty Limited  
Level 12, 225 George Street,  
Sydney NSW 2000 Australia

#### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

☐

**Your Address**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

**Please note, you cannot change ownership of your securities using this form.**

**PROXY FORM**

**STEP 1 APPOINT A PROXY**

I/We being a member/s of **Security Matters Ltd** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at **C/- Holding Redlich Lawyers, Level 8, 555 Bourke Street, Melbourne VIC 3000 on Wednesday, 15 May 2019 at 5:00pm (AEST)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 1 and 5, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 1 and 5 are connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolution 1 and 5). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

**STEP 2 VOTING DIRECTIONS**

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Dr Gregory John Clark as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Additional 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of issue of Options to Dr Gregory John Clark or his nominee in accordance with Listing Rule 10.11	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Ratification of issue of Ordinary Shares pursuant to ASX Listing Rule 7.4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**STEP 3 SIGNATURE OF SECURITYHOLDERS**

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2019