

30 August 2019

## H1 FY19 Progress and Commercialisation Summary

- Strong progress across all operations delivered in H1 FY19
- Completion of multiple testing projects including on seeds and electronic components confirming SMX's technology can be applied with no negative impact to the properties of any product
- R&D milestones achieved including a US patent lodgement and the recruitment of two highly experienced chemical engineers
- Agreement signed with The Perth Mint to commence full-scale development of a bespoke technology to be used exclusively
- Other agreements signed with medicinal cannabis distributor, CliniCann Ltd, and world leading diamond manufacturer, Trifecta
- SMX commenced collaborating with leading blockchain software company R3 to develop a new blockchain application
- Increase in costs as a result of operational scaling, driving the Company towards revenue generation

**Security Matters Limited (ASX: SMX)** (Security Matters or the Company), a brand protection, supply chain integrity and blockchain technology company focussed on becoming the global record of physical goods, is delighted to announce an operational summary of its half yearly performance, for the 2019 financial year.

### Operational overview

The Company had a very positive first half to the financial year and delivered excellent progress across all its operations. Most notably strengthening its relationship with several large international organisations including Intel and The Perth Mint, as well as significant progress in ethical mining and supply chain transparency, and the circular economy segment, particularly focussing on plastics and the fabric industry.

SMX achieved all its deliverable targets during the first half, giving it a strong foundation for commercial success in the second half. The Company remains committed to delivering on its commercialisation strategy and leveraging its existing relationships to partner with leading global companies to provide brand authentication and supply chain integrity and become the global record of physical goods.

The Company is well funded to execute its growth strategy following a \$6 million Capital raise in April 2019. As a result, the Company is in a strong financial position to commercialise its technology and deliver material growth in the second half of the financial year, with a technology team comprising of nine PhD Chemical Engineers and a new Chief Technology Officer that bring extensive experience in commercialising chemical products.

### Financial overview

Since listing on the ASX (October 2018) the Company has grown its volume of operations, commenced operations in Australia and recruited new employees. There has been an appropriate increase in expenses during the period due to the growth in activity. In addition, there was an increase in General and Administrative costs and Legal and Consultants' expenses as a result of the commencement of SMX's operations in Australia as a listed company. The growth in the number of Company employees led to an increase in share-based compensation costs as well as Research and Development costs. Selling and Marketing costs grew as the focus and efforts of the Company shifted toward generating revenues.

The loss for the period amounted to \$2,082,529 compared to a loss of \$1,438,387 in the half year ended 30 June 2018. The comparable figures for 2018 are of the Israeli subsidiary only, for the period prior to listing on the ASX, and as such do not provide a sound comparison.

Funds received during the period from Proof-of-Concept (POC) projects and paid pilots were treated as a reduction of R&D costs and not revenue. During the half year the Company recorded Revenues of approximately US\$7,000 as well as Receipts and Receivables from POC's and paid pilots of approximately US\$125,000.

These results are in line with expectations for a young technology company requiring intensive R&D.

### Research and Development

The Company continued to grow and develop its R&D capabilities with the appointment of a Chief Technology Officer and two highly experienced PhD qualified Chemical Engineers. Both engineers bring extensive knowledge of commercialising chemical products, project management, regulation and commercial science integration.

Furthermore, the R&D team achieved several milestones during the half year with the completion of testing in collaboration with leading companies Intel and Hazera Seeds. SMX's R&D team successfully completed testing on both electronic components and seeds, demonstrating the technology's broad and disruptive capabilities and propelling the Company towards commercialisation in these sectors.

The Company also lodged a patent application in the US, demonstrating its commitment to continuously improving and developing the technology to ensure it remains at the forefront of innovation. The patent covers technology engineered by SMX for use in the identification and specification of mined materials including stones, diamonds and minerals.

### Commercial Operations

The Company completed a number of landmark achievements during the half including the signing of a commercial agreement with The Perth Mint to commence full-scale development of bespoke mark and trace technology for the exclusive use of The Perth Mint.

SMX also signed an agreement with medicinal cannabis distributor CliniCann. The agreement with CliniCann gives SMX the exclusive rights to incorporate its technology into the packaging of medicinal cannabis products to be distributed globally.

SMX signed an agreement with world leading diamond manufacturer Trifecta Industries Inc. Under the terms of the agreement, SMX and Trifecta will establish a new jointly owned company to commercialise SMX's technology which is to be accompanied by a US\$500,000 investment from Trifecta.

Additionally, SMX signed an agreement with leading blockchain software company R3 to collaborate and build a new bespoke blockchain program on R3 proprietary platform, Corda.

### Outlook

The Company remains committed to delivering on its commercialisation strategy and is confident it will deliver material developments across all operations during the second half of the financial year.

SMX has been exploring additional markets and sectors that provide an opportunity for integration and growth and has identified the sustainable fashion, timber and lumber and automotive sectors as having significant potential.

The Company continues to strengthen its existing relationships, drive progress within its current operations and expand its reach by leveraging its network. As a result, the Company expects to deliver material progress and growth across all its operations during the second half of the financial year.

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#### About Security Matters Limited

Security Matters has commenced the commercialisation of its unique, patented technology that uses a hidden chemical-based 'barcode' to permanently and irrevocably 'mark' any object, be it solid, liquid or gas. The barcode is read using the company's unique 'reader' to access the corresponding stored data, recorded and protected using blockchain technology.

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