

31 January 2022

Security Matters Reaches Full Maturity and Commercialisation Deployment Q4/2021 – Quarterly Activity Report

- Record receipts from customers of US\$306K for Q4 2021, an increase of 55% compared to US\$198K in Q4 2020. Total FY21 receipts totaled US\$1,087K, an increase of 76% compared to US\$618K for FY20.
- SMX's held \$4.171m in cash as of 31 December 2021, with current funds sufficient to maintain the Company activities until end of Q4 2022, which is without the expected increase in revenue and receivables from customers, that will all together fund the Company until to end of Q2 2023.
- SMX and global Fashion & Leather Goods House, LVMH Métiers d'Art, collaborate via a series of R&D projects aimed at improving traceability for raw materials in the luxury fashion industry.
- SMX Fashion Sustainability Competence Centre integrates organic cotton into its platform
- Awarded the 2021 Global Waste Management & Recycling Digitalization Technology Innovation Leadership Award by Frost & Sullivan.
- SMX introduces its Generation 2.0 'Plastic Circular Economy Online Unit' and launches a circular sustainable solution for the forest, lumber and wood industry.
- SMX acquires a 100% interest in SMX Beverages Pty Ltd (SMXB), a joint venture between SMX and GlobalBevCo Pty Ltd (GlobalBevCo) as trustee for the GlobalBevCo Unit Trust (GlobalBevCo Unit Trust).
- SMX's platform application expanded to become a global solution and an industry standard both on rubber, timber and lumber, through memberships with the Global Platform for Sustainable Natural Rubber ("GPSNR") and 4evergreen.
- The Company is in the process of launching its forest, lumber and wood operations focusing on Eucalyptus gum trees and a species from the pine family.

Security Matters Limited (ASX: SMX) (Security Matters or the Company), a company focused on digitising physical objects on the blockchain to enable a circular and closed loop economy, is delighted to provide an overview of its operational highlights for the three months ended 31 December 2021 ("Quarter", "Reporting Period") to accompany its Appendix 4C.

Corporate & Financial highlights

Financing activities were for proceeds from issues of shares to the value of US\$1,955K and transaction costs related to issues of equity securities were US\$157K.

At the current expense rate, including receipts from customers, SMX's current funds are sufficient to maintain the Company activities until end of Q4 2022, which is without the expected increase in revenue and receivables from customers, that will all together fund the Company until to end of Q2 2023.

Investing activities were US\$176K for intellectual property and US\$157K for property and equipment. The IP expenses are for software development and costs related to patents, whilst the software costs are for the development of a blockchain platform and to complete the software development of an independent reader.

Financial

As detailed in the attached Appendix 4C, the Company held \$4.171 million in cash and cash equivalents as of 31 December 2021, well positioning SMX for growth.

Pursuant to Listing Rule 4.7C.3 and as disclosed in item 6.1 of the attached Appendix 4C, \$35,380 was paid in respect of Directors remuneration during the quarter.

Operational and Commercial highlights

SMX Launches Circular Sustainable Solution For the Forest, Lumber, and Wood Industry

SMX commenced field trials following its successful year of research and lab trials in the marking of seeds and plants, in order to provide a full end to end solution from seed, to plant, to product, to recycle and reuse. The Company is in the process of launching its forest, lumber and wood operations focusing on Eucalyptus gum trees and a species from the pine family.

The Company's forest, lumber and wood operations will further:

- (i) SMX's blockchain application;
- (ii) Fashion Sustainability Competence Centre capabilities;
- (iii) Assist forest growers and lumber and wood associated companies to comply with the European Green Deal Regulations;
- (iv) Provide proof of evidence of sustainable plantations and;
- (v) To assist in monitoring their assets for insurance purposes.

SMX & LVMH Métiers d'Art collaboratively enable complete traceability of origin for its raw materials.

In November 2021, SMX announced a new collaboration with LVMH Métiers d'Art on a series of R&D projects aimed at improving traceability for raw materials in the luxury fashion industry. To protect and develop Fashion & Leather Goods Houses' access to raw materials and the superior savoir-faire they require, LVMH Métiers d'Art chose to partner with SMX.

Successful completion of the joint projects will enable complete traceability of origin and subsequently lay the foundations for a tangible and measurable transition to the sustainable circular economy and provide in-depth knowledge of the supply chain for LVMH Métiers d'Art. The first of its kind project is expected to be completed in early 2022.

SMX Fashion Sustainability Competence Centre integrates organic cotton

SMX integrated its organic cotton project into its [Fashion Sustainability Competence Centre](#), which provides a platform for companies to utilise SMX's digital twin technology to enable the transition

for linear to circular economy platforms and to engage in the digital world with their clients through enhanced tracking and tracing of textile materials through the supply chain.

SMX Becomes a Member of the Global Platform for Sustainable Natural Rubber (GPSNR)

SMX became a member of the Global Platform for Sustainable Natural Rubber (“GPSNR”). GPSNR is a voluntary membership organisation that brings together organisations, companies, societies, institutions, and government agencies to discuss ways to improve socioeconomic and environmental performances of the natural rubber supply chain.

As a GPSNR member, SMX can progress towards a more innovative, sustainable and tangible way to enhance natural rubber farming, helping the rubber value chain players achieve their ESG objectives and enable a successful transition to a truly circular economy.

SMX joins Wins 2021 Global Waste Management & Recycling Digitalization Technology Innovation Leadership Award

SMX was awarded the 2021 Global Waste Management & Recycling Digitalization Technology Innovation Leadership Award by Frost & Sullivan in November 2021.

The Annual Global Waste Management & Recycling Digitalization Technology Innovation Leadership Award is presented to a company that has developed a product with innovative features and functionality that is rapidly gaining acceptance in the market. Frost & Sullivan identified SMX’s unique IoT2 trace and track technology solution as fulfilling the requirements of this award.

For its victory in the Global Waste Management & Recycling Digitalization Technology Innovation Leadership Award, SMX was assessed across seven core metrics, starting with its commitment to innovation and creativity. It was also assessed with respect to its operational efficiency, commercialisation success, application diversity, growth potential and financial performance.

SMX Joins The 4evergreen To Enhance the Recyclability And Circularity of Fibre-Based Packaging

In November 2021, SMX became a member of 4evergreen, which represents the logical next step for SMX following the recent launch of the Company’s forest, lumber and wood operations to support a circular, sustainable solution for the industries from seed to product. SMX will be able to contribute to 4evergreen’s efforts by providing a full end to end solution from seed to plant to product to recycle and reuse.

SMX’s current forest, lumber and wood operations aim to assist forest growers as well as lumber and wood associated companies to comply with the European Green Deal Regulations, providing proof of evidence of sustainable plantations and to assist in the monitoring of their assets for insurance purposes. Hence the membership with 4evergreen, will enhance the SMX’s ability to assist companies in being able to meet its ESG objectives and sustainability goals.

SMX introduces its Generation 2.0 ‘Plastic Circular Economy Online Unit’

Following the successful construction and testing of SMX’s blockchain enabled industrial scale identification, authentication and quantification on a specifically designed conveyor belt detector (announced on the 15 June 2021), the Company released its ready to deploy Generation 2.0 Plastic Circular Economy Online Unit, which has been customised for the plastic industry in December 2021. The Generation 2.0 Online Unit will enable their clients to unlock the possibility to reclaim and reuse plastic content.

Overview and commercial advantages

By using SMX's platform that combines physical mark, track and trace solution and a digital twin blockchain platform solution, plastic products of any shape, size and/or colour can store key information clients will be able to detect & quantify:

- The number of times the polymer has been recycled (loop counts)
- The percentage amount of recycled content
- The name of the Brand owner

The Generation 2.0 Online Unit's integration into the SMX Blockchain platform provides clients the ability to close the loop by quantifying clients' carbon footprint reclaim and introduces SMX's patented Plastic Credits platform.

The system is ready to be integrated into organisations systems and the Company is in the process of negotiation deployment of the Generation 2.0 Online Unit in companies based in Japan, Singapore, Australia, Europe, Brazil and North America in 2022.

SMX Sustainable Online Unit key features for fast deployment

The Generation 2.0 Online Unit, provides clients with the ability to improve, enhance and customise sorting and recycling processes to their requirements, with minimal to no change integration within their existing and accustomed facilities. As previously announced, the Generation 2.0 Online Unit furthers SMX conveyor belt capabilities from the first-generation Online Unit, through the introduction of an adjustable reader and conveyor belt. New customised options for the Conveyor Belt System, may include:

- Speed of the Conveyor Belt
- The Dimensions (width and length) of the Conveyor Belt (standard dimension are 0.5m wide and 8m long)
- The ability to detect SMX 'marked' polymers among other waste
- The ability to read SMX 'marked' samples in various formats (e.g., bottles and flat wrappers)

Watch the system live demo on SMX tech page (third clip in the following link), on the Company's website: <https://smx.tech/technology>

SMX Acquires interest in SMX Beverages Joint Venture

SMX and Global BevCo Pty Ltd (**Global BevCo**) as trustee for the Global BevCo Unit Trust (**Global BevCo Unit Trust**) entered into a Joint Venture Agreement dated 10 February 2020 in respect of their 50/50 joint venture. In December 2021 SMX offered, and Global BevCo has accepted the offer to acquire the remaining 50% in the Global BevCo Unit Trust.

Haggai Alon, Founder and CEO, commented:

"SMX remains firmly committed to stay on track with its strategic roadmap for the SMX technology to be adopted and scaled across its strategic market segments globally. Driven by its long-term vision and dedication to innovation, SMX will continue to offer its clients the ability to authenticate and verify the origination of its raw materials, as well as transition successfully to a closed loop economy.

With a strong balance sheet, SMX will utilise this to progress ongoing pilot projects into commercial contracts.

SMX will stay vigilant and resilient amid a continuing uncertain environment disrupted by a global health pandemic."

--Ends--

By order of the Chief Executive Officer.

For further information, please contact:

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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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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Security Matters Limited

ABN

78 626 192 998

Quarter ended ("current quarter")

31 December, 2021

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	306	1,087
1.2 Payments for		
(a) research and development	-245	-1,125
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-68	-238
(d) leased assets	-44	-109
(e) staff costs	-669	-2,528
(f) administration and corporate costs	-523	-2,156
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	7
1.5 Interest and other costs of finance paid	-1	-6
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (VAT & GST returns)	151	604
1.9 Net cash from / (used in) operating activities	-1,089	-4,464
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-158	-366
(d) investments	-	-
(e) intellectual property	-176	-1,009
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-334	-1,375

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,955	6,148
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	394
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-157	-479
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-105
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,798	5,958

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,846	4,339
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-1,089	-4,464
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-334	-1,375

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,798	5,958
4.5	Effect of movement in exchange rates on cash held	-50	-287
4.6	Cash and cash equivalents at end of period	4,171	4,171

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	4,171	3,846
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,171	3,846

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	44
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Payments to directors - US\$ 35,380.

Payments for services by Kibbutz Ketura (substantial shareholder) all at cost price US\$9K: bookkeeping service and IT support.

7. Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	180	180
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	180	180
7.5 Unused financing facilities available at quarter end		0
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
Shareholder loan from Ketura and Degania (substantial shareholders of SMX) for ILS 560,000 (USD 180K at quarter end).		
Terms of loan:		
1) Annual interest rate of 4%.		
2) Loan repayment in quarterly instalments of ILS 250,000 (~US\$ 80K)		
The loan is described in more detail in the prospectus in section 10.16 and in a pre-quotation disclosure dated 11 October 2018.		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	-1,089
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,171
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,171
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.83
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/a	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/a	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/a

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:31 January 2022.....

Authorised by:Chief Executive Officer.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.