

19 May 2022

Notice Under Section 708A of the Corporations Act 2001 (Cth)

Security Matters Limited (ASX: SMX) ("the Company") gives notice under section 708A(5)(e) of the Corporations Act 2001 (Cth) ("**Act**") in compliance with the requirements of section 708A(6) of the Act as follows:

- a) On 18 May 2022, the Company announced that it has raised \$828,240 via Convertible Notes ("Notes") from sophisticated and professional investors.
- b) To facilitate the Transaction, on 19 May 2022, the Company issued 828,240 Unlisted Convertible Notes in the Company at an issue price of \$1.00 per Note, without disclosure to investors under Part 6D.2 of the Act.
- c) A summary of the key terms attached to the Convertible Notes are set out in the Company's announcement of 18 May 2022 and is reproduced in Schedule 1 of this Cleansing Notice.
- d) As at the date of this notice, the Company has complied with:
 - i. the provisions of Chapter 2M of the Act as they apply to the Company; and
 - ii. the provisions of section 674 and 674A of the Act.
- e) the Company is not aware of any information required to be disclosed for the purpose of section 708A(6)(e) of the Act, being information:
 - i. that has been excluded from a continuous disclosure notice in accordance with the Listing Rules of the ASX; and
 - ii. that investors and their professional advisors would reasonably require for the purposes of making an informed assessment of:
 - the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
 - the rights and liabilities attaching to the Convertible Notes of the Company.

An Appendix 3G with the respect to the issue of the Unlisted Convertible Notes has been lodged with ASX on 19 May 2022.

This announcement has been approved by the Company Secretary.

Schedule 1

Item	Matter	Particulars
	Type of instrument	Unsecured convertible notes convertible into ordinary fully paid shares at the Conversion Price (Notes).
	Denomination	AUD
	Face value	The face value of each Note is \$1.00
	Maturity Date	6 months from date of issue (unless converted early due to a Liquidity Event)
	Interest payable on Notes	\$Nil.
	Conversion prior to Maturity Date	<p>If the Company executes a binding agreement for an M&A transaction and shareholder approval is received (if required) or receives US\$20.0 million or more in return for the issue of shares (whether in single or multiple closings) (Qualified Transaction) on or before the Maturity Date, the principal amount of each Note and all interest due and unpaid (if any) (Note Balance) will automatically convert into shares in the Company as follows:</p> <ul style="list-style-type: none"> the issue price per share will be calculated at a 20% discount to the higher of the offer price or price paid by the investors participating in the Qualified Transaction, subject to a floor cap of no lower than A\$0.15 per Share. the number of shares to be issued to the Investor calculated by dividing the Note Balance by the issue price per share specified above.
	Conversion Price after Maturity Date	<p>On the Maturity Date, if the Company has not executed a binding agreement for a Qualified Transaction, the Note Balance will automatically convert into ordinary shares as follows:</p> <ul style="list-style-type: none"> the issue price per share will be calculated at the lower of: <ul style="list-style-type: none"> a 20% discount to the 21 day VWAP to the Maturity Date, subject to a cap of no lower than A\$0.15 per Share; the number of shares to be issued to the Investor calculated by dividing the Note Balance by the issue price per share specified above. On Conversion after the Maturity Date, the Investor will be issued unlisted 2 year options on a 1:2 basis with an exercise price of \$0.45. The issue of options will be subject to shareholder approval under ASX LR 7.1.
	Redemption	<ul style="list-style-type: none"> Subject to compliance with all relevant laws, regulations and directives, each Note will be redeemed on the earliest of the occurrence of an event of insolvency or the occurrence of an Event of Default by the Issuer.
	Events of Default	Standard Events of Default including but not limited to Insolvency occurs in relation to the Company or the Company is in breach of any material obligation, covenant or undertaking to the Noteholders and the breach is not rectified within 10 Business Days.
	Voting	The Notes do not entitle the holder to any voting rights.
	Governing Law	Victoria, Australia