

31 October 2022

## 4C Q3/2022 – Quarterly Activity Report

### Filing of Amended F-4 with SEC

#### Combined NASDAQ entity expected to be valued at \$360 million (US)

- Lionheart III Corp (“Lionheart III”) and Security Matters Limited (“SMX”) are working extensively to close the business combination
- An **amended** registration statement on Form F-4 (the “Form F-4”) was filed on 28 October 2022 (American EDT) by Empatan Public Limited Company, a public limited company incorporated in Ireland with registered number 722009 (the “Parent”) with the U.S. Securities and Exchange Commission (the “SEC”). A link to the F-4 can be found here: [F-4/A \(sec.gov\)](#)
- SMX continues negotiations with future strategic partners to complete a PIPE in connection with the closing of the business combination.
- Receipts from customers amounted to US\$1,014K, an increase of 439% compared to Q2 2022.

**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 30 September 2022 (“Quarter”, “Reporting Period”) to accompany its Appendix 4C.

## Corporate & Financial highlights

### Financial

Receipts from customers amounted to US\$1,014K, an increase of 439% compared to US\$188K in Q2 2022.

In Q3 2022 Investing activities totaled US\$146K, which was made US\$133K for intellectual property - the IP expenses are for software and reader development (US\$76K) and costs related to patents (US\$57K).

### SMX Merger with Lionheart III Corp Update

Lionheart III and SMX are progressing on closing and finalising the previously announced business combination

Both parties continue to navigate regulatory review of the transaction. As part of that review, an amended registration statement on Form F-4 was filed by the Parent with the SEC on October 28, 2022. SMX continues negotiations with future strategic partners to be part of its PIPE.

### Outlook

During this time of continuing economic and health uncertainties, there is an increasing focus on ESG requirements for businesses and industries to adhere to, from various regulatory bodies, NGOs, stakeholders, shareholders, and the wider public community. With an increase in companies seeking to meet their ESG responsibilities as well as transition successfully to a closed loop circular economy, SMX is well resourced to scale its technology to enable businesses to transition to a truly circular economy, where sustainability, transparency and traceability of origination are a key focus.

SMX expects to continue to build its resilience by strengthening its cost controls and balance sheet. The company will maintain a strategy focused on its key market segments and work towards accelerating the speed of adoption and commercialisation of its technology.

SMX expects to rely on the strong momentum, agility and capability of its unique technological and digital platform offering ESG solutions to its clients, allowing them to track and authenticate from raw material to finished product through every stage of the supply chain. In addition to being able to efficiently sort, to recycle and reuse materials at the product's end of life.

SMX plans to increase R&D activities with near term commercial opportunities relating to palm oil, cocoa and soybean.]<sup>1</sup>

**--Ends--**

By order of the Board.

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.

Follow us through our social  channel @secmattersltd

**About Lionheart III Corp.**

Lionheart III Corporation is a blank check company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or similar business combination with one or more businesses. For more information, visit: [<https://lheartcapital.com/our-companies/lionheart-iii/>.]

***Important Information and Where to Find It***

*In connection with the potential business combination (the “proposed business combination”), a registration statement on Form F-4 (the “Form F-4”) was filed by Empatan Public Limited Company, a public limited company incorporated in Ireland with registered number 722009 (the “Parent”) with the U.S. Securities and Exchange Commission (the “SEC”). Upon the closing of the proposed business combination, it is expected that the Parent will be the ultimate parent of Lionheart III Corp (“Lionheart”) and Security Matters Limited (“SMX”). The Form F-4 includes a preliminary proxy statement / prospectus, which after becoming effective*

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<sup>1</sup> NTD: Can we elaborate here? If not, we would suggest deleting as it does not have any context around it.

will be distributed to Lionheart's stockholders in connection with Lionheart's solicitation of proxies for the vote of its stockholders in connection with the proposed business combination and other matters as described in the Form F-4, as well as a prospectus relating to the offer and sale of securities to be issued in connection with the completion of the business combination. This document does not contain all the information that should be considered concerning the proposed business combination and is not intended to form the basis of any investment decision or any other decision in respect of the proposed business combination. Lionheart and SMX urge investors, stockholders and other interested persons to read the Form F-4, including the proxy statement/prospectus included therein and the amendments thereto as well as any other documents filed with the SEC in connection with the proposed business combination as these materials will contain important information about SMX, Lionheart, the Parent and the proposed business combination. After the Form F-4 has been declared effective, the definitive proxy statement/prospectus will be mailed to Lionheart's stockholders as of the record date established for voting on the proposed business combination. Lionheart's stockholders will also be able to obtain copies of such documents, without charge, at the SEC's website at [www.sec.gov](http://www.sec.gov), or by directing a request to:

Lionheart III Corp, 4218 NE 2nd Avenue, Miami, Florida 33137.

**INVESTMENT IN ANY SECURITIES DESCRIBED HEREIN HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY OTHER REGULATORY AUTHORITY NOR HAS ANY AUTHORITY PASSED UPON OR ENDORSED THE MERITS OF THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED THEREIN.**

### **Participants in the Solicitation of Proxies**

*This communication is not a solicitation of a proxy from any investor or securityholder. Lionheart, SMX, and their respective directors, executive officers and other members of their management and employees, may, under SEC rules, be deemed to be participants in the solicitation of proxies of Lionheart's stockholders in connection with the proposed business combination. Investors and securityholders may obtain more detailed information regarding the names, affiliations and interests of Lionheart's directors and executive officers in Lionheart's Annual Report on Form 10-K filed with the SEC on April 14, 2022, the proxy statement/prospectus, other relevant materials filed with the SEC in connection with the proposed business combination when they become available, and other reports filed with the SEC. These documents can be obtained free of charge from the sources indicated above.*

### **No Offer or Solicitation**

*No offer or offering of equity interests or securities of any kind is being made, conducted or extended at this time. This communication is for informational purposes only and does not constitute or include an offer to sell, or a solicitation of an offer to purchase or subscribe for, equity interests or securities of any kind or a solicitation of any vote of approval, nor shall there be any sale, issuance or transfer of any such securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. Any such offer or solicitation will be made only in connection with the delivery of a prospectus meeting the requirements of the Securities Act of 1933, as amended ("Securities Act"), or exemptions therefrom.*

### **Forward-Looking Statements**

*This press release includes forward-looking statements that involve risks and uncertainties. Forward-looking statements are statements that are not historical facts. Such forward-looking statements, including the identification of a target business and potential business combination or other such transaction, are subject to risks and uncertainties, which could cause actual results to differ from the forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described in the section entitled "Risk Factors" in the annual report on Form 10-K filed by Lionheart on April 14, 2022 and the proxy statement/prospectus filed related to the proposed business combination. Important factors, among others, that may affect actual results or outcomes include: (i) changes in domestic and foreign business, market, financial, political and legal conditions; (ii) the inability of SMX and Lionheart to successfully or timely consummate the proposed business combination, including the risk that any required regulatory approvals are not obtained, are delayed or are subject to unanticipated conditions that could adversely affect the combined company or the expected benefits of the proposed business combination or that the approval of the stockholders of Lionheart or equity holders of SMX is not obtained; (iii) failure to realize the anticipated benefits of the proposed business combination; (iv) SMX's limited operating history; (v) SMX's ability to grow and manage its growth effectively;*

*(vi) SMX's ability to execute its business plan; (vii) SMX's estimates of the size of the markets for its products; (viii) the rate and degree of market acceptance of SMX's products; (ix) SMX's ability to identify and integrate acquisitions; (x) SMX's future investments in its technology and operations; (xi) potential litigation involving Lionheart or SMX or the validity or enforceability of SMX's intellectual property; (xii) risks relating to the uncertainty of the projected financial information with respect to SMX; (xiii) the effects of competition on SMX's business; (xiv) developments and changes in laws and regulations; (xv) the impact of significant investigative, regulatory or legal proceedings; (xvi) general economic and market conditions impacting demand for SMX's products and services; (xvii) the amount of redemption requests made by Lionheart's public stockholders; (xviii) the amount of cash available following any redemptions by Lionheart stockholders; (xix) the ability to meet Nasdaq's listing standards following the consummation of the proposed transaction; (xx) the ability of Lionheart or the combined company to issue equity or equity-linked securities in connection with the proposed business combination or in the future; and such other risks and uncertainties as are discussed in the Lionheart's annual report on Form 10-K filed with the SEC on April 14, 2022 and the proxy statement/prospectus filed relating to the proposed business combination. Other factors include the possibility that the proposed business combination does not close, including due to the failure to receive required security holder approvals, or the failure of other closing conditions. Lionheart expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Lionheart's expectations with respect thereto or any change in events, conditions or circumstances on which any statement is based.*

## 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")**

30 September, 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (9 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,014	1,358
1.2 Payments for		
(a) research and development	-212	-576
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-176	-341
(d) leased assets	-	-11
(e) staff costs	-857	-2,051
(f) administration and corporate costs	-235	-1,006
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	3
1.5 Interest and other costs of finance paid	-4	-13
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (VAT & GST returns)	86	381
<b>1.9 Net cash from / (used in) operating activities</b>	<b>-384</b>	<b>-2,256</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-13	-185
(d) investments	-	-
(e) intellectual property	-133	-853
(f) other non-current assets	-	-319

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 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	-	-87
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-146</b>	<b>-1,444</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	220	220
3.2	Proceeds from issue of convertible securities	-	600
3.3	Proceeds from exercise of options	10	10
3.4	Transaction costs related to issues of equity securities or convertible debt securities		-129
3.5	Proceeds from borrowings	1,029	1,029
3.6	Repayment of borrowings	-167	-167
3.7	Transaction costs related to loans and borrowings	-82	-82
3.8	Dividends paid	-	-
3.9	Other (Merger transaction cost)	-676	-1,211
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>334</b>	<b>270</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	830	4,170
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-384	-2,256
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-146	-1,444

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$US'000</b>	<b>Year to date (9 months) \$US'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	334	270
4.5	Effect of movement in exchange rates on cash held	-	-106
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>634</b>	<b>634</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$US'000</b>	<b>Previous quarter \$US'000</b>
5.1	Bank balances	634	830
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>634</b>	<b>830</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$US'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	17
6.2	Aggregate amount of payments to related parties and their associates included in item 2	167

*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.*

1. Payments to directors -US\$ 17K.
2. Repayment of borrowings - US\$ 167.

7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (customers outstanding debt, paid in October)	228	-
<b>7.4 Total financing facilities</b>	<b>228</b>	-
<b>7.5 Unused financing facilities available at quarter end</b>		228
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	-384
8.2 Cash and cash equivalents at quarter end (item 4.6)	634
8.3 Unused finance facilities available at quarter end (item 7.5)	228
8.4 Total available funding (item 8.2 + item 8.3)	<b>862</b>
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	2.24
<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: NA	
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: NA	
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: NA	
<i>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.</i>	

## 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 October 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.