

10 February 2020

SMX develops tech solution to trace origin and drive brand integrity of wine

- Solution to address the approx. \$500m per annum alcohol counterfeiting market
- Patented system leverages world-class Israeli technology to tag, track and verify wine
- Joint Venture (SMX Beverages) formed with Peter Yates AM and Leon Kempler AO to complete and commercialise the system

Security Matters Limited (ASX: SMX) (Security Matters or the Company), announces the incorporation of a new joint venture company, Security Matters Beverages (“**SMX-B**”) in collaboration with Roadknight Investments (Aust) Pty Ltd (“**Roadknight Investments**”) to complete the development of SMX’s patented wine anti-counterfeit and adulteration system and commercialise its application.

SMX-B will be 50% owned by Security Matters and 50% owned by Roadknight Investments, a company owned by Peter Yates AM and others. Mr Yates is a former Macquarie investment banker and Chair of Myer Family Investments and AIA Australia.

SMX-B will licence SMX’s supply chain integrity and asset tracking technology, which irrevocably marks a range of fungible products and substances to allow for their tracking

The technology comprises an invisible, liquid-based barcode system, a proprietary reader to identify these codes and a blockchain record to store and protect ownership data. The newly formed partnership will apply SMX’s solution to alcoholic beverages globally, with work already underway with key stakeholders to develop global standards and test the technology.

Haggai Alon, SMX Founder and CEO said: “We are focused on assisting FMCG companies to demonstrate brand integrity and production visibility - from raw material to recycling - with all information stored on the block chain. Through the joint venture we will be executing an aggressive strategy in 2020, targeting the FMCG market and specifically the alcohol industry which accounts for over \$500 billion annuallyⁱ of counterfeit goods.

“Following successful demonstration of our pioneering technology incorporated in different types of wine, we are finalising the markers to embed into wines within Australia and Europe while solving the regulatory issues surrounding wine provenance, quality and production methods.

“In simple terms, we introduce a trace of a unique marker that effectively represents the DNA of the product right down to the batch number that can be read by a proprietary analyser at every stage of the supply chain,” said Mr Alon

Peter Yates, Executive Chairman, Roadknight Investments (Aust) said “The sale of counterfeit wine is a significant threat to the industry that occurs at all price points and is particularly prevalent in China.”

“Moreover, it is a social problem that deprives communities of the value they have created, especially growers of premium product. SMX’s technology, pioneered in Israel, is a unique commercial solution to this social problem and represents the holy grail for preventing counterfeiting of wine.”

Opportunity to Lead Development of Global Standard

SMX-B is beginning to assemble a wider team of regulatory experts and industry leaders, including wine experts and global leading wine brands, to ensure the solution meets all global requirements and explore further uses of SMX's technology.

"SMX is focussed on becoming the global record of all physical goods with an Equilibrium Economy® sustainability model," said Mr Alon.

-ENDS-

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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.

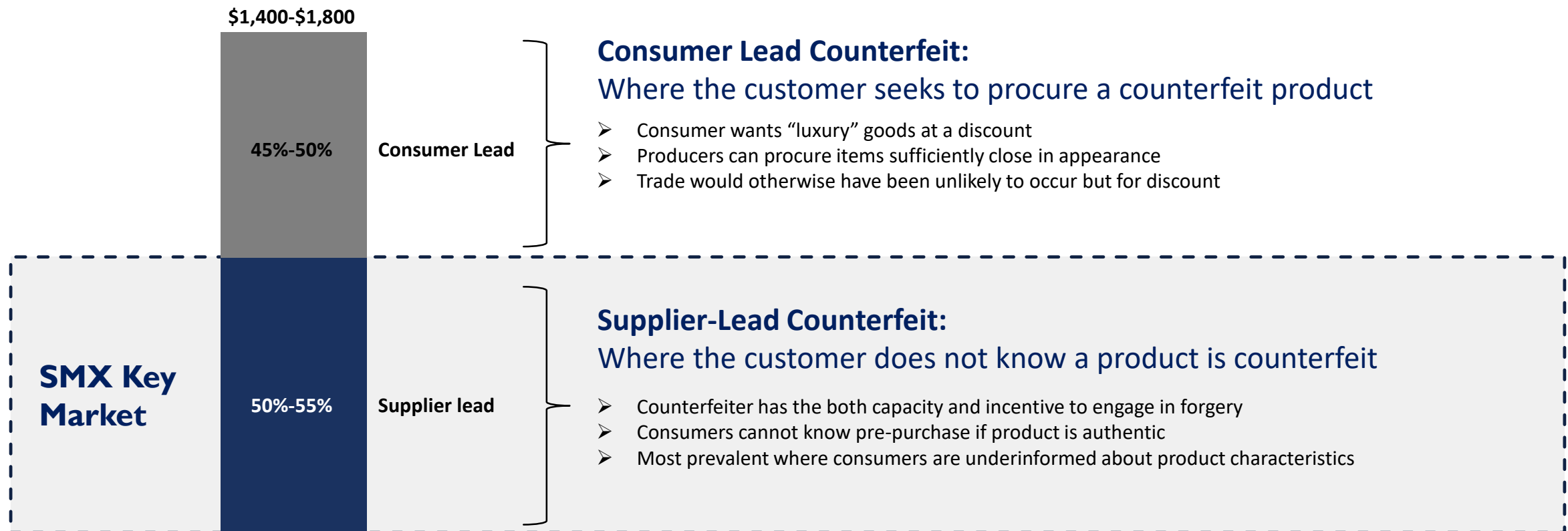
Follow us through our social channel  @secmattersltd

ⁱ Source: WHO Global Status Report on Alcohol and Health (2018), Statistia, Global Newswire, Allied Market Research

OF THE ~\$1.5 TRILLION DOLLAR COUNTERFEIT MARKET, SMX CAN ADDRESS 50-55% OF THE RELEVANT PRODUCTS

Global Counterfeit Market 2018

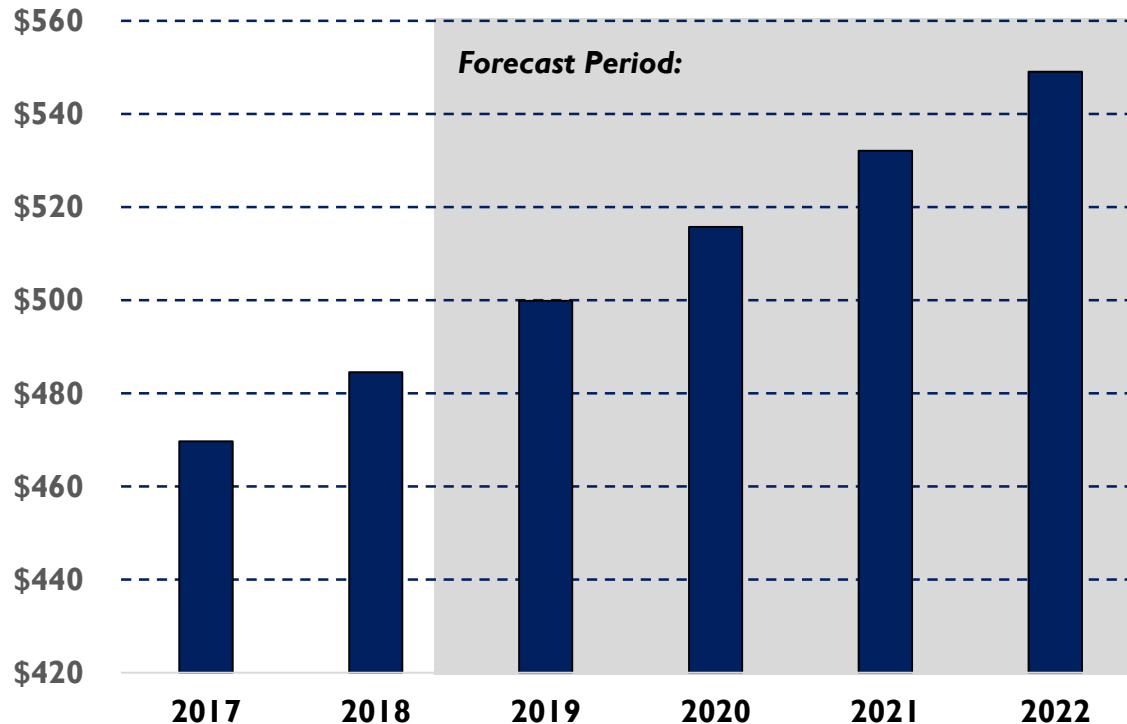
AUD billion



Global Counterfeit Market

THE \$500BN ALCOHOL COUNTERFEIT MARKET IS THE BEST UNDERSTOOD USE-CASE FOR SMX

Value of Counterfeit Alcohol Produced
(AUD Billion)



Key Market Trends:

- UN estimates ~25% of global alcohol consumption is counterfeit or adulterated
- Alcohol represents ~ 1/3rd of worldwide counterfeit market
- Rising incomes across the developing world will support market growth
- Currently China is worlds largest producer and consumer of counterfeit products

ANTI-COUNTERFEIT SOLUTIONS HAVE FOLLOWED THE WORLDS MAJOR TECHNOLOGICAL TRENDS

~2011	Non-Digital Solutions:	Who Used It	Why it failed
	➤ Holograms and other difficult-to-replicate devices on packaging	➤ Widely used in variety of packages and other consumer products	<ol style="list-style-type: none"> 1. Counterfeiter Labelling technology caught up 2. Packages could be refilled
~2014	QR-Based Smart Labels		
	➤ Encrypted QR Codes on package exterior, scanned by the user	➤ Italian Wine Industry, Some Australian Players	<ol style="list-style-type: none"> 1. Counterfeiters could replicate QR codes easily 2. Packages refilled without trace
~2015	NFC Authentication		
	➤ NFC Tags embedded into product package, including sensors if package has ever been opened	➤ Pernod Ricard, (<i>Thinfilm</i>) ➤ Remy Martin (<i>Selinko</i>) ➤ Louis XIII Cognac (<i>Selinko</i>)	<ol style="list-style-type: none"> 1. Costly and Complex Solution 2. Consumer cannot tell if "Phished"
~2018	Blockchain Based		
	➤ Codes are scanned along the supply-chain and each layer is recorded on the blockchain,	➤ Accolade Wines (<i>through YPB Group</i>) ➤ LaVis (<i>through EY Blockchain</i>)	<ol style="list-style-type: none"> 1. Cannot prevent refilling unless code is inside sealed bottle 2. If inside sealed bottle user cannot authenticate <u>before</u> purchase

This is why it **MUST** be in the liquid and no other solution can ever work.

Implementation across Treasury Wine Estate's Asian markets alone provides a >\$35m revenue opportunity

Revenue Item:	Metric	Estimation Methodology	Value:
Licence fees	20% of Asia Brand Premium:	➤ Asia brand Premium: Gross profit delta for Asia sales compared with group (~\$35 per case sold)	~\$30m
Data Fees	10% of Asian Marketing Expense	➤ Asian Marketing Expense: Total marketing Spend (\$110m) * Asia market EBIT share (41%)	~\$4.5m
Platform Fees	2c per Bottle Sold	➤ Asia Export Volume: (9 Litre equivalent cases) * 12	~\$1m
Total			~\$35.5m

Note: Estimates are made using Treasury Wine estates 2018 annual report