

H1 FY21 Progress and Commercialisation Summary

- SMX is in a strong cash position to progress its commercialisation strategy, following a successful capital raise of \$5.3 million in a private placement at \$0.35 per share, which was supported by a range of sophisticated and strategic investors.
- An increase of recorded receipts was received from customers (for paid pilots and proof-of-concepts) of US\$532k compared to US\$158k in H1 FY20.
- A patent was filed for the computerized Exchange Platform (EXP) for the distributed management of electronic certificates associated with transactions of plastic units – transforming digital certificates into Plastic Credits with a monetized trading value.
- The launch of the ‘SMX Plastic Circular Economy Online Unit’ in the first half of this year, was a significant milestone for SMX.
- The successful completion of SMX’s ‘Rubber Plantation to Factory’ project with a Tier 1 tyre and conveyor belt manufacturer.
- A collaborative partnership was established with the Israeli Cotton Board (ICB) utilizing SMX’s technology to provide proof of origination and authentication through a product lifecycle.
- SMX became a member of the Circular Electronics Partnership (CEP), a World Business Council for Sustainable Development (WBCSD) backed alliance focused on creating a circular economy for electronics.
- Increased R&D activities with near term commercial opportunities relating to palm oil, cocoa and soybeans.

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 present an operational summary of its half yearly performance for the 2021 financial year.

Corporate & Financial Overview

SMX delivered receipts and receivables from customers of US\$532k representing a 237% increase on the H1 2020 numbers. Funds received from proof of concepts projects are treated as a reduction of R&D costs and not as revenues.

The Company continues to exercise vigilance with R&D costs of US\$885k (H1 FY20 - US\$799k), G&A costs of US\$1,337k (H1 FY20 - US\$2,368k) and marketing costs of US\$197k (H1 FY20 - US\$79k).

Successful Completion of a \$5.3 million Placement and Entitlement Offer

SMX is in a strong cash position following the completion of a placement during this period. The Company successfully completed an oversubscribed placement to institutional and sophisticated shareholders, raising A\$5.3 million before costs. The placement issued 14,890,086 fully paid ordinary shares at A\$0.35 per share pursuant to the Company's Listing Rule 7.1 placement capacity and 7.1A additional placement capacity. The issue price represented a 2% discount to the volume weighted average price of Security Matters ordinary shares for the last 30 days prior to its trading halt on 26 April 2021.

The Company also completed a pro-rata non-renounceable Entitlement Offer. The Offer was conducted at an offer price of \$0.35 per new share and eligible shareholders were invited to subscribe for 1 New Share for every 49 existing SMX shares held.

The Company received valid applications from eligible shareholders under the offer for approximately 380,000 new shares.

Appointment of New Chief Financial Officer

Ms. Limor Moshe Lotker was appointed Chief Financial Officer in June 2021. Ms. Lotker is a qualified Israeli chartered accountant with over 20 years' experience. She previously held a financial leadership role in a company with global operations within the electronic industry. Ms. Lotker is highly experienced in financial operations, controllership, and leading financial and investment processes.

Operational and Commercial Operations

SMX continued to deliver strong commercial progress across all projects despite the ongoing COVID-19 pandemic. The Company achieved several business milestones, including a successful capital raise, filed a new patent, launched a new industrial-scale reader system and achieved several Research & Development milestones. SMX's technological innovation was further validated after joining the Circular Electronics Partnership (CEP), an alliance co-founded by the World Business Council for Sustainable Development, focused on creating a circular economy for electronics.

Patent Filed for System and Method of Managing Digital Certificates Associated with Marked Plastic Units

In Q2 2021, SMX filed a patent for the computerised Exchange Platform for the distributed management of electronic certificates associated with transactions of plastic units, further building on its intellectual property portfolio. The EXP is configured to use chemical markings to assign plastic units with digital certificates representative of rights to produce units of virgin plastic material.

The digital certificates allow for the tracking of the plastic product throughout its lifecycle. The digital certificates will then become Plastic Credits which are characterized by a monetized trading value. That will eventually be traded in an open marketplace.

Launch of Revolutionary Conveyor Belt Detector System: the ‘SMX Plastic Circular Economy Online Unit’

The SMX Plastic Circular Economy online unit is a revolutionary conveyor belt detector system that enables plastic content to be reclaimed and reused. Using SMX’s blockchain technology in collaboration with its strategic partners in the plastics sector, the Company can enable industrial-scale identification, authentication, and quantification on a conveyor belt detector.

The SMX Plastic Circular Economy online unit has been created to meet the sorting and recycling requirements of major plastics sector players and the system provides important information on the materials passing through the value chain to increase recycling efficiency. The technology is ready to be integrated as part of any sorting or recycling facilities for any size or type of plastic (e.g. rigid or flexible packaging). The technology is now ready for commercial roll-out and commercial discussions have begun.

Proof-of-concepts – Rubber and Cotton Industries

(i) Rubber Project with Tier 1 Global Tyre Company

During the first half of FY21, SMX completed its proof-of-concept (POC) testing with a Tier 1 global tyre conveyor belt production company. SMX’s breakthrough technology aims to facilitate the recycling of natural and synthetic rubbers by implementing material identification and certification at all stages of the tyre’s lifecycle. The POC demonstration proved that it can enable:

- (i) an accurate identification of rubber from ethical sources;
- (ii) digitally certify the grade/quality of the natural rubber;
- (iii) accurately identify the amount of natural rubber contained in the finished good; and
- (iv) enable the reuse/recycling of the tyre at the end-of-life.

The Company is currently engaged in commercial discussions with the Tier 1 tyre and conveyor belt manufacturer.

(ii) SMX’s Fashion Sustainability Centre – ‘Farm to Fabric’

A collaborative partnership with the Israeli Cotton Board (ICB) was formed at the start of a new organic cotton planting season in April 2021, where SMX successfully deployed its technology to mark the cotton plants at the seed stage. This POC will follow the cotton through its commercial lifecycle, through the various manufacturing processes to the finished garment. This partnership with the ICB allows companies to verify that all organic cotton sourced from Israel meets minimum quality standards, proof of origination, ESG requirements and sustainability beyond a paper certificate.

SMX’s technology enables growers to verify and certify the origination of organically grown cotton and provides full traceability of fibres from farm to final cotton products and garments. SMX’s technology is also able to identify any dilution or substitution to the organic cotton, providing protection to ICB organic cotton integrity and authenticity, giving an extra layer of production and assurance of quality to buyers.

SMX joins Circular Electronics Partnership

In Q1 2021, SMX became a member of the World Business Council for Sustainable Development, a CEO-led global organization of over 200 leading businesses across several industry sectors who are working together to accelerate the transition to a more sustainable world. Pleasingly, SMX and 13 top electronics brands, including Google, Microsoft, and KPMG, have joined a new alliance co-founded by the WBCSD called the Circular Electronics Partnership.

The Circular Electronic Manufacturing pilot project's primary objective is to champion an electronic manufacturing industry standard by developing a technology that can mark, track, and trace electronics and electrical equipment (EEE) along the supply chain and create a roadmap leading to a circular economy. SMX's unique digital blockchain platform will aid in this effort by enabling electronic manufacturers to recycle their end-of-life products and reduce the use of virgin raw materials.

Strong Progression of R&D Activities

SMX continues to place importance on R&D activities with near-term commercial opportunities for the cocoa, palm oil, and soybean industries. The Company is engaged in discussions with entities that coordinate with manufacturers, processors, and farming groups to enable crop traceability and proof of origin while maintaining best practice ESG standards from farm level to finished product.

Outlook

SMX had an excellent start in H1 FY21, with continual progress being made through the adoption and commercialisation of its technology across its key market segments globally.

It remains focused and committed to delivering a 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 is well resourced to scale its technology to enable global businesses to transition to a truly circular economy, where sustainability, transparency and traceability of origination are a key focus.

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By order of the Chief Executive Officer.

For further information, please contact:

**Corporate Enquiries**

Tim Chapman

PAC Partners

P: 04 1989 7062

E: tchapman@pacpartners.com.au

Media Enquiries

Melissa Hamilton

Media and Capital Partners

P: 04 1775 0274

E: Melissa.hamilton@mcpartners.com.au

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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