

Security Matters Limited

ACN 626 192 998

(ASX code: SMX)

Offer Document

Pro rata non-renounceable rights issue to Eligible Shareholders on the basis of 1 New Share for every 49 Shares held by Eligible Shareholders as at the Record Date at an Issue Price of \$0.35 per New Share, to raise up to approximately \$1 million (before costs and expenses) (**Offer**).

The Offer will not be underwritten.

Important Notice

This Offer Document is not a prospectus or other form of disclosure document under the Corporations Act. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding the Offer or about the rights attaching to the New Shares offered by this Offer Document.

This Offer Document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay.

Please read the instructions in this Offer Document and on the accompanying Entitlement & Acceptance Form regarding the acceptance of your Entitlement.

This Offer Document is not for release, publication or distribution in the United States or elsewhere where such an offer would be in contravention of securities laws.

Important Information

Key Offer details	
Issue Price	\$0.35 per New Share
Ratio	1 New Share for every 49 Shares held by Eligible Shareholders as at the Record Date
Top-up Facility	Eligible Shareholders who take up their Entitlements in full may apply for Additional Shares, provided that the issue of those Additional Shares does not result in a breach of the Listing Rules, Corporations Act or any applicable law.
Current Shares on issue	140,405,262
Shares to be issued under Placement	14,706,000
Maximum number of New Shares to be issued under the Offer (excluding any Shares expected to be issued under the Placement) ¹	2,861,848
Maximum number of Shares on issue following the Offer ¹	157,973,110
Maximum amount to be raised under the Offer ¹	\$1 million (before costs and expenses)

Note: Subject to rounding and assuming that no further Options are exercised prior to the Record Date.

Important dates	
Announcement of the Offer Cleansing Notice and Appendix 3B with ASX	Pre-market - Wednesday, 28 April 2021
Lodgement of Offer Document	Wednesday, 28 April 2021
Notice to Optionholders to advise that they must exercise their options to participate in the Offer Notice to Ineligible Foreign Shareholders	Friday, 30 April 2021
"Ex" date for the Offer	Monday, 3 April 2021
Record Date to determine Entitlements	5:00 pm (Melbourne time) on Tuesday, 4 May 2021
Issue of Shares under the Placement and release of cleansing notice for Placement shares	Wednesday, 5 May 2021
Opening Date of Offer Dispatch of the Offer Document and Entitlement & Acceptance Form to Eligible Shareholders	Wednesday, 5 May 2021

Important dates	
Last date to extend Closing Date	Tuesday, 11 May 2021
Closing Date for acceptances under the Offer	Friday, 14 May 2021
If agreed by ASX, New Shares quoted on a deferred settlement basis	Market open, Monday, 17 May 2021
Announcement of the results of the Offer	Monday, 17 May 2021
Issue of the New Shares (Deferred settlement trading of New Shares ends) Appendix 2A (applying for quotation of New Shares) to be lodged with ASX.	Thursday, 21 May 2021
Issue of holding statements Trading of New Shares expected to commence	Thursday, 21 May 2021

The above dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend the Closing Date or to withdraw the Offer at any time without prior notice, in which case all Application Monies will be refunded (without interest) as soon as practicable. Any extension of the Closing Date will have a consequential effect on the issue date of New Shares.

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1. Important Notes

1.1 Offer document

This Offer Document has been prepared by Security Matters Limited ACN 626 192 998 (**Company**) and is dated 28 April 2021. This Offer Document is not a prospectus or other form of disclosure document under the *Corporations Act 2001* (Cth) (**Corporations Act**) and has not been lodged with ASIC. The Offer contained in this Offer Document is being made without disclosure in accordance with section 708AA of the Corporations Act as modified by ASIC Corporations (Non-Traditional Rights Issue) Instrument 2016/84.

In general terms, section 708AA of the Corporations Act permits certain companies to undertake rights issues without being required to use or provide to shareholders a prospectus or other disclosure document. Accordingly, this Offer Document does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding the Offer or about the rights attaching to the New Shares offered by this Offer Document.

It is important for Eligible Shareholders to read and understand the information on the Company and the Offer made publicly available, before accepting all or part of their Entitlement. In particular, please refer to the information in this Offer Document, the Company's annual reports and other announcements made available at www.securitymattersltd.com or www.asx.com.au.

1.2 This is an important document

The information contained in this Offer Document does not constitute investment advice and has been prepared without taking into account each Eligible Shareholder's investment objectives or financial circumstances. You should seek advice from your professional adviser before deciding to invest. Investing in the Company involves risks.

1.3 Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

To the extent permitted by law, neither the Company nor any other person warrants the future performance of the Company or any return on any investment made under this Offer Document, except as required by law and then only to the extent so required.

1.4 Future performance and forward-looking statements

Neither the Company nor any other person warrants, represents or guarantees (expressly or by implication) the future performance of the New Shares or any particular rate of return on any investment made pursuant to Offer, or any particular tax treatment.

This Offer Document contains certain "forward-looking statements". Forward-looking statements include those words such as "believe", "anticipate", "estimate", "expect", "will", "plan", "should", "may", "intend", "likely", "forecast" and other similar expressions but not limited to statements regarding the outcome and effects of the Offer. Forward-looking statements, opinions and estimates provided in the information in this Offer Document are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements in this Offer Document are current and speak only as at the date of this Offer Document.

No representation or warranty (express or implied) is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in this Offer Document.

While due care and attention have been used in the preparation of forward-looking statements, you are cautioned not to place undue reliance on such statements. To the maximum extent permitted by law, the Company disclaims any obligation or undertaking to release any updates or revisions to such information to reflect any change in expectations or assumptions.

1.5 Past performance

Investors should note that the Company's past performance including Share price performance provides no guarantee or guidance as to future Share price performance. Any past performance information given in this Offer Document is provided for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance including the Company's future financial position or Share price performance.

1.6 Risks

An investment in the Company is subject to investment and other known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward-looking statements in this Offer

Document. Refer to the 'Risk' section included in section 6 for a summary of general and specific risk factors that may affect the Company.

1.7 Eligibility

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement & Acceptance Form sent with this Offer Document (or payment via EFT, as described in section 5.2). The Entitlement & Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

1.8 Overseas Shareholders

This Offer Document does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or to issue this Offer Document. No offer is made by this Offer Document in any jurisdiction outside of the Relevant Jurisdictions.

No action has been taken by the Company to register the New Shares or otherwise permit an offering of the New Shares in any jurisdiction other than the Relevant Jurisdictions. Eligible Shareholders resident in a Relevant Jurisdiction holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Offer does not breach regulations in the relevant overseas jurisdiction.

It is the responsibility of an Applicant to ensure compliance with any laws of a country relevant to their Application. Return of a duly completed Entitlement & Acceptance Form (or payment via EFT) will be taken by the Company as a representation that there has been no breach of such laws, that the Applicant is an Eligible Shareholder and that the Applicant is physically present in a Relevant Jurisdiction. The Company reserves the right to reject any Application that it believes come from a person who is not an Eligible Shareholder.

New Zealand Shareholders

The Offer contained in this Offer Document to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the provisions of the *Financial Markets Conduct Act 2013 (New Zealand) (FMC Act)*, the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares.

This Offer Document has been prepared in accordance with Australian law and has not been registered, filed with, or approved by the New Zealand regulatory authority under the FMC Act. This Offer Document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all

the information that a product disclosure statement under New Zealand law is required to contain.

Shareholders resident in New Zealand should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to take up their Entitlements under the Offer.

United States Shareholders

This Offer Document does not, and is not intended to, constitute an offer or invitation in the United States, to any US person, to any person acting for the account or benefit of a person in the United States, or in any other place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The New Shares have not been and will not be registered under the US Securities Act 1933 or the securities laws of any state or jurisdiction in the United States and may only be offered, sold or resold in, or to persons in, the United States in accordance with an available exemption from registration.

Any person in the United States or any person that is, or is acting for the account or benefit of a U.S. person with a holding through a nominee may not participate in the Rights Issue and the nominee must not take up any Entitlement or send any materials into the United States or to any person that is, or is acting for the account or benefit of, a U.S. person.

1.9 Nominees and custodians

Eligible Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how to proceed. The Offer is being made to all Eligible Shareholders. The Company is not required to determine whether or not any Eligible Shareholder is acting as a nominee or the identity or residence of any beneficial owners of Shares.

Where any registered holder that qualifies as an Eligible Shareholder is acting as a nominee for a foreign person, that registered holder, in dealing with its beneficiary, will need to assess whether the distribution of any documents relating to the Offer (including this Offer Document) or the indirect participation by the beneficiary in the Offer is compatible with applicable foreign laws. The Company is not able to advise on foreign laws.

Nominees and custodians may not distribute any part of this Offer Document, and may not permit any beneficial shareholder to participate in the Offer, in any country outside Australia except (i) to beneficial shareholders of the Company resident in New Zealand; and (ii) with the consent of the Company, to beneficial shareholders resident in certain other jurisdictions where the Company may

determine it is lawful and practical to make the Offer.

1.10 Currency

All references to A\$, \$A, dollar or \$ in this Offer Document are to Australian currency. References with US\$ in this Offer Document are to United States currency.

1.11 Definitions and references to time

Capitalised words and expressions in this Offer Document have the meaning given to them in section 7.

Unless otherwise stated, any reference to time in this Offer Document is a reference to Melbourne, Victoria, Australia time.

2. Letter from the Chairman

28 April 2021

NON-RENOUNCEABLE RIGHTS ISSUE

On behalf of the Directors of Security Matters Limited (the **Company**), I invite you to participate in the Company's pro-rata non-renounceable rights issue of 1 New Share for every 49 Shares held at the Record Date of 5.00pm (Melbourne Time) on Tuesday, 4 May 2021, at an Issue Price of \$0.35 per New Share, to raise up to approximately \$1 million (before costs and rounding) (**Offer**). Eligible Shareholders who subscribe for their full Entitlement may also apply for Additional Shares in accordance with the Top-up Facility.

The Offer is not underwritten.

The funds from the Offer are important and will be applied towards:

- building of plastic line-conveyer readers, including a project with Alliance to end plastic waste;
- the Gold Ethics Project for enhancing and scaling R&D in relation to mine-to-marketplace gold supply chain assurance solutions;
- working capital and corporate purposes, reducing liabilities and general operating expenditures; and
- costs and expenses of the Offer.

The Offer is being made pursuant to section 708AA of the Corporations Act and this Offer Document has been lodged with the ASX. A copy of this document can be accessed on the ASX website (ASX: SMX) or the Company's website. For Eligible Shareholders, this Offer Document is anticipated to be despatched (with personalised Entitlement & Acceptance Forms) on or around Wednesday, 5 May 2021.

The Board urges you to read this Offer Document carefully and in its entirety before deciding what to do in respect of your Entitlement. In particular you should read and consider the key risks associated with an investment in the Company which are summarised in section 6 of this Offer Document. You should consult with your stockbroker, accountant or other professional adviser before making any decisions in relation to your Entitlement.

On behalf of the Directors, I thank you for your ongoing support.

Yours faithfully,



Everardus Hofland

Chairman

3. Details of the Offer

3.1 The Offer

The Offer is being made as a non-renounceable entitlement offer of 1 New Share for every 49 Shares held by Eligible Shareholders registered at the Record Date at an Issue Price of \$0.35 per New Share. Fractional Entitlements will be rounded up to the nearest whole number.

The Issue Price represents a discount of approximately 2.0% to the volume weighted average price of Shares on the 30 days on which Shares traded prior to 26 April 2021 being \$0.37.

New Shares will be fully paid and will rank equally in all respects with existing Shares on issue.

Based on the capital structure of the Company as at the date of this Offer Document (and assuming no further existing Options or Performance Rights are exercised prior to the Record Date), approximately 2,861,848 New Shares will be offered under the Offer to raise up to approximately \$1 million (before costs and expenses of the Offer). Please refer to section 4.2 for information on the vesting conditions and expiry dates of the Options and Performance Rights.

As at the date of this Offer Document, the Company has 47,989,743 Options, all of which may be exercised, subject to achievement of the relevant vesting conditions, prior to the Record Date for the Offer.

Your Entitlement under the Offer is shown on the accompanying Entitlement & Acceptance Form. Details on how to accept the Offer are set out in section 5.

3.2 Placement

As announced on 28 April 2021, the Company has received firm commitments with respect to a placement of 14,706,000 Shares to sophisticated and professional investors at an issue price of \$0.35 per Share, to raise approximately \$5.147 million (**Placement**).

All Shares under the Placement are expected to be issued after the Record Date for the Offer, meaning participants in the Placement (who are Eligible Shareholders) will not be entitled to participate in the Offer.

3.3 Who is entitled to participate in the Offer?

Eligible Shareholders are those Shareholders who:

- (a) are registered as a holder of Shares as at the Record Date; and
- (b) have a registered address within Australia or New Zealand (**Relevant Jurisdictions**).

The Company, in its absolute discretion, reserves the right to determine whether a Shareholder is an Eligible Shareholder and is therefore able to participate in the Offer, or an Ineligible Foreign Shareholder and is therefore unable to participate in the Offer. The Company disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether a Shareholder is an Eligible Shareholder or an Ineligible Foreign Shareholder.

Shareholders who do not satisfy each of the above mentioned criteria are Ineligible Foreign Shareholders. Ineligible Foreign Shareholders will be sent a letter in the form lodged with ASX. Further information for Ineligible Foreign Shareholders is set out in section 3.8.

3.4 Entitlements and acceptance

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement & Acceptance Form accompanying this Offer Document.

The Offer is non-renounceable. As such, Eligible Shareholders cannot offer to sell or transfer any of their Entitlement on ASX or via an off-market transfer (or any other exchange or private transfer).

Shareholders who do not take up their Entitlements in full will have their percentage interest in the Company diluted as compared to the date the Offer is made. Eligible Shareholders who take up their Entitlements in full and make Application for Additional Shares and that Application is accepted, may have their percentage interest in the Company increased as compared to the date the Offer is made.

As described in section 3.7, any New Shares not taken up by an Eligible Shareholder by the Closing Date will form part of the New Shares available under the Top-up Facility.

Detailed instructions on how to accept all or part of your Entitlement are set out in section 5.

3.5 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been received.

3.6 Underwriting

The Offer is not underwritten.

3.7 Shortfall Offer and Top-up Facility

Eligible Shareholders may, in addition to taking up their Entitlement in full, apply for any number of Additional Shares in excess of their Entitlement under the Top-up Facility.

Additional Shares will only be available where the number of New Shares the subject of Applications received under the Offer is less than the maximum number of New Shares (2,861,848) proposed to be issued under the Offer. Additional Shares will be issued at the Issue Price of \$0.35 per Share.

Details on how to apply for Additional Shares under the Top-up Facility are set out in section 5. There can be no guarantee that there will be any allocation of Additional Shares under the Top-up Facility.

The Directors reserve the right to issue Additional Shares under the Top-up Facility at their absolute discretion and otherwise in accordance with the Corporations Act and Listing Rules. Additionally, the Company reserves the right to:

- (a) issue an applicant a lesser number of Additional Shares than the number applied for;

- (b) reject an application for Additional Shares; and/or
- (c) not proceed with the issue of Additional Shares under the Top-up Facility (or part thereof).

When determining the amount (if any) of Additional Shares to be issued to an Eligible Shareholder, the Company may take into account a number of factors, including the size of the Applicant's shareholding in the Company, the extent to which an Applicant has sold or bought Shares in the Company before and after the announcement of the Offer and the Record Date, as well as when the Application was made.

Any excess Application Monies will be refunded without interest.

Additional Shares will be allocated in priority to Eligible Shareholders who apply for Additional Shares under the Top-up Facility by the Closing Date. Applications for Additional Shares may be subject to scale-back depending on the final number of Additional Shares, if any, comprising the Shortfall of the Offer and the quantum applied for by each Eligible Shareholder. If any Shortfall remains after applications for Additional Shares under the Top-up Facility are considered, the Directors will, subject to the Corporations Act and the ASX Listing Rules, to place any further Shortfall at their discretion but intended to be on a "first come, first served basis" (being the **Shortfall Offer**). The Directors intend to place the balance of any remaining shortfall under the Shortfall Offer. The Shortfall Offer is a separate offer made pursuant to this Offer Document and may be made at any time up to 3 months following the Closing Date.

No Additional Shares will be issued to a related party or any other party referred to in Listing Rule 10.11, and no Additional Shares will be issued to any person if it would cause that person (or any of their associates) to breach the takeover prohibition in section 606 of the Corporations Act.

3.8 Ineligible Foreign Shareholders

In accordance with Listing Rule 7.7.1 and section 9A of the Corporations Act, the Company has decided that it is unreasonable to make the Offer to any Shareholder with a registered address outside the Relevant Jurisdictions as at the Record Date (**Ineligible Foreign Shareholder**), having regard to:

- (a) the number of Shareholders with addresses in such other countries as a proportion of total Shareholders in the Company;
- (b) the number and value of the New Shares those Shareholders would be offered under the Offer; and
- (c) the cost to the Company of complying with applicable legal and regulatory requirements in such other countries.

This Offer Document has not been and will not be registered under the securities laws of any jurisdiction. No Offer Document or Entitlement & Acceptance Forms will be sent, and no offers will be made, to Ineligible Foreign Shareholders.

Ineligible Foreign Shareholders with registered addresses outside of the Relevant Jurisdictions should note that the Offer is being conducted in accordance with the laws in force in Australia and the Listing Rules.

3.9 Opening and Closing Date

The Offer will open for receipt of acceptances on Wednesday, 5 May 2021. The Closing Date for acceptance of your Entitlement is 5.00pm (Melbourne Time) on Friday, 14 May 2021.

The Company reserves the right, subject to the Corporations Act and Listing Rules, to extend the last date for receipt of the Entitlement & Acceptance Form (or payment by EFT), or to delay or withdraw the Offer at any time without prior notice. Where the Offer is withdrawn, all Application Monies will be refunded (without interest) as soon as practicable by cheque to your registered address as noted on the Company's share register.

Any extension of the Closing Date will have a consequential effect on the issue date of New Shares.

3.10 Issue and quotation of New Shares

New Shares issued pursuant to the Offer and the Top-up Facility will be issued in accordance with the Listing Rules and the indicative timetable set out in the 'Important information' section on page 2.

Pending the issue of the New Shares or payment of refunds pursuant to this Offer Document, all Application Monies will be held by the Share Registry in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest by completing and returning the Entitlement & Acceptance Form.

It is the responsibility of Applicants to determine the allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holdings statements will do so at their own risk.

Application for official quotation by ASX of the New Shares offered under this Offer Document will be made. If that permission is not granted by ASX, the Company will not issue any New Shares and all Application Monies received will be refunded (without interest) in full to the Applicants.

The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares. Neither ASX nor any of its officers accepts or takes any responsibility for the contents of this Offer Document.

3.11 CHESS

The Company is a participant in CHESS for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. As the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement that sets out the number of New Shares allotted to them under this Offer Document. The notice will also advise holders of their Holder Identification Number (**HIN**) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their interest in the Company during the preceding month.

3.12 Rights and liability attaching to New Shares

The New Shares issued under the Offer will be on a fully paid basis and will rank equally in all respects with existing Shares. Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours. You may also contact the Company on +61 3 8689 9997 or via email at info@securitymattersltd.com to request a copy of the Company's constitution.

3.13 Governing law

This Offer Document (including the Entitlement & Acceptance Form) and the contracts which arise from acceptance of the Applications are governed by the laws applicable in Victoria. Each Applicant submits to the non-exclusive jurisdiction of the courts of Victoria.

3.14 Taxation implications

Eligible Shareholders should be aware that there may be taxation implications associated with participating in the Offer. The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

3.15 Enquiries concerning this Offer Document

Enquiries relating to this Offer Document should be directed to the Company on +61 3 8689 9997.

4. Effect of the Offer

4.1 Use of Funds

Completion of the Offer and the Placement (together the **Capital Raising**) will result in an increase in cash in hand of up to approximately \$6.1 million (before costs and expenses associated with the Capital Raising). The Company intends to apply the funds raised from the Capital Raising as follows:

Item of expenditure	\$AUDm	%
Conveyer belt readers for sorting and recycling facilities	\$1.00	16%
Gold industry solution applications	\$0.5	8%
General working capital purposes ¹	\$4.23	70%
Estimated costs of the Capital Raising ²	\$0.37	6%
Total	\$6.1	100%

Notes:

1. General working capital and corporate purposes includes, but is not limited to, reducing liabilities and general operating expenditures.
2. Comprises ASX fees, advisor and registry costs.

The above table is a statement of the Board's current intentions as at the date of this Offer Document. As with any budget, the allocation of funds set out in the table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic and environmental factors. The Board reserves the right to vary the way funds are applied.

The Board believe that on completion of the Capital Raising, the Company will have sufficient working capital to carry out its stated objectives.

4.2 Effect of the Capital Raising on the capital structure of the Company

The total number of New Shares which can be issued under the Offer will be approximately 2,861,848 (the exact number depends on the rounding up of individual holdings).

The table below sets out, for illustrative purposes only, the existing capital structure (before the Offer) together with the impact of the issue of the Shares under the Placement and the New Shares under the Offer. It assumes that the Offer is fully subscribed, no existing Options are exercised, and does not take into account the impact of rounding.

Shares	Number
Existing Shares as at date of this Offer Document	140,405,262
Shares to be issued under the Placement ¹	14,706,000
Maximum number of New Shares issued under the Offer	2,861,848

Shares	Number
Total Shares on issue after completion of the Capital Raising²	157,973,110

Notes:

1. Shares issued under the Placement will not be entitled to participate in the Offer.
2. Assumes no further Options are exercised prior to the Record Date.

4.3 Market Price of Shares

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of release of this Offer Document and the respective dates of those sales were:

	\$	Date
Highest	0.44	28 January 2021
Lowest	0.30	10 March 2021
Last	0.37	26 April 2021

4.4 Announcements

The Company is a "disclosing entity" for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the securities market conducted by ASX. In particular, the Company has an obligation (subject to certain limited exceptions) to notify ASX immediately of any information of which it is, or becomes, aware which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for Shares under the Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available on the ASX website, www.asx.com.au (ASX code: SMX).

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit report or review. These reports are released to ASX and published on the ASX website.

4.5 Directors' interests and participation

The relevant interest of each Director in the Shares of the Company as at the date of this Offer Document together with their respective Entitlement (subject to rounding) is set out in the table below:

Director	Shares	Options	Entitlement Shares
Haggai Alon	5,135,949	5,000,000	104,815
Everardus Hofland	11,624,124	5,000,000	237,227
Jovanka Naumoska	47,826	-	976
Amir Bader	10,667,898	1,382,322	217,712
Kathryn Fay Davies	-	-	-
Gregory Clark	159,420	502,517	3,253

4.6 Potential effect on control of the Company

Eligible Shareholders who take up their Entitlements in full should not have their interest in the Company diluted by the Offer (subject to immaterial movements as a result of rounding of Entitlements).

The potential effect of the issue of New Shares under the Offer on control of the Company and the consequences of that effect will depend on a number of factors, including investor demand. The potential effect of the Offer on the control of the Company is as follows:

- (a) if all Eligible Shareholders take up their Entitlements under the Offer, then the Offer will have no significant effect on the control of the Company (subject only to changes resulting from Ineligible Foreign Shareholders being unable to participate in the Offer);
- (b) if some Eligible Shareholders do not take up all of their Entitlements under the Offer, then the interests of those Eligible Shareholders will be diluted;
- (c) the proportional interests of Ineligible Foreign Shareholders will be diluted because those Ineligible Foreign Shareholders are not entitled to participate in the Offer; and
- (d) in respect of any Shortfall, Eligible Shareholders will be entitled to subscribe for Additional Shares under the Top-up Facility. However, the Company will only issue Additional Shares pursuant to an Application received where the Directors are satisfied, in their discretion, that the issue of the Additional Shares will not increase the Applicant's voting power above 19.90%. Having regard to the number of New Shares to be issued under the Offer, even if a substantial shortfall eventuated, a participant in the Top-up Facility would not be in a position to exercise any substantive control in the Company.

4.7 Substantial holders

As at 28 April 2021, it is the Company's understanding, based on the notices provided under section 671B of the Corporations Act, that there are 4 substantial Shareholders on the Company's register. Following completion of the Offer, the substantial Shareholders' projected voting power (assuming they each take up their full Entitlement and based on the maximum number of Shares under the Entitlement being issued), is as follows:

Substantial holder	Shares ¹	Voting Power ²	Entitlement
Kibbutz Ketura ACS Ltd	20,275,081	18.45%	413,777
Star Resources Pte Ltd	13,864,188	9.95%	282,942
Degania A Business Agricultural Cooperative Society Ltd	10,544,617	8.18%	215,196
Benguy Escrow Company Ltd	6,564,328	5.09%	133,965

Notes:

1. Based on most recent Form 603 or 604 lodged with the Company and ASX.
2. Based on a share capital of 140,405,262 Shares as at the date of this Offer Document.

4.8 Dilution

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted following completion of the Capital Raising (as compared to their holdings as a percentage based on the number of Shares on issue as at the date of this Offer Document). Examples of how the dilution will impact Shareholders are set out in the table below:

Shareholding as at Record Date	% as at Record Date ¹	% after the Placement, before Offer ²	Entitlement under the Offer	% post Offer if Entitlement not taken up ³
20,000,000	14.26%	12.85%	408,163	12.62%
10,000,000	7.13%	6.43%	204,082	6.31%
5,000,000	3.57%	3.21%	102,041	3.16%
3,000,000	2.14%	1.93%	61,224	1.89%
1,000,000	0.71%	0.64%	20,408	0.63%

Note:

1. This is based on a share capital of 140,405,262 Shares as at the Record Date.
2. This is based on a share capital of 155,111,262 Shares after the Placement but before the Offer has completed.
3. This is based on the Company having 157,973,110 Shares immediately after completion of the Capital Raising.

4.9 Pro-Forma Statement of Financial Position (in USD)

The following pro-forma consolidated balance sheet illustrates the effect of the Capital Raising on the Company. It is not intended to represent the financial position of the Company upon completion of the Offer. It is provided as an illustration of the effect of the Capital Raising. The actual impact on the Company is dependent on a range of factors, many of which are outside the control of the Company.

The basis of preparation of the Statement of Financial Position for the period ended 31 December 2020 is in accordance with Australian Accounting Standards. Adjustments to the Statement of Financial Position are consistent with past accounting practises and are prepared on the basis that the following financial activity had occurred as of 31 December 2020:

- (a) estimated gross proceeds from the offering of AUD 6.147M (USD 4.794M) at the target amount; and

- (b) legal costs, brokerage fees and listing fees of approximately AUD 0.370M (USD 0.289M) at the target amount.

The pro-forma balance sheet has been prepared to provide Eligible Shareholders with information on the pro-forma assets and liabilities of the Company. The pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	Period ended 31 December 2020	Adjustments for Transaction at Target Amount*	Pro Forma at Target Amount Raised
Assets			
Current assets			
Cash and cash equivalents	4,340,733	4,505,482	8,846,215
Trade & other receivables	444,951		444,951
Total current assets	4,785,684	4,505,482	9,291,166
Non-current assets			
Property, plant and equip	950,991		950,991
Right-of-use assets	2,100,807		2,100,807
Investment in joint venture	248,272		248,272
Total non-current assets	3,300,070		3,300,070
Total assets	8,085,754	4,505,482	12,591,236
Liabilities			
Current liabilities			
Trade and other payables	718,124		718,124
Lease liability	52,650		52,650
Employee Benefits	350,169		350,169
Other liability	279,939		279,939
Total current liabilities	1,400,882		1,400,882
Non-current liabilities			
Lease liability	485,155		485,155
Other Liabilities	88,990		88,990
Total non-current liabilities	574,145		574,145
Total liabilities	1,975,027		1,975,027
Net assets	6,110,727	4,505,482	10,616,209
Equity			
Issued capital	21,880,805	4,794,045	26,674,850
Share based payment reserve	4,299,869		4,299,869
Foreign currency translation reserve	274,587		274,587
Accumulated (losses)	(20,344,534)	(288,563)	(20,633,097)
Total equity	6,110,727	4,505,482	10,616,209

*Proceeds of the Capital Raising in AUD and converted to USD in line with company reporting. Exchange rate AUD/USD0.7799 at 27 April 2021. Source: **Reserve Bank of Australia**.

5. Action required by Eligible Shareholders

5.1 What Eligible Shareholders may do

The number of New Shares to which you are entitled (your **Entitlement**) is shown on the accompanying Entitlement & Acceptance Form.

If you do not take up your Entitlement, then your percentage holding in the Company will be diluted (refer to section 4.6 above).

As an Eligible Shareholder, you may participate in the Offer as follows:

- (a) **take up all of your Entitlement** by:
 - (i) completing the Entitlement & Acceptance Form for your full Entitlement according to the instruction on that form; and
 - (ii) arrange payment via EFT for the appropriate Application Monies (at \$0.35 per New Share subscribed for); or
- (b) **take up all of your Entitlement and apply for Additional Shares** by:
 - (i) completing the Entitlement & Acceptance Form for your full Entitlement according to the instruction on that form;
 - (ii) insert the number of Additional Shares over and above your full Entitlement that you wish to apply for under the Top-up Facility; and
 - (iii) arrange payment via EFT for the appropriate Application Monies (at \$0.35 per New Share subscribed for); or
- (c) **take up part of your Entitlement** by:
 - (i) completing the Entitlement & Acceptance Form in respect of that part of your Entitlement that you wish to accept according to the instruction on that form; and
 - (ii) arrange payment via EFT for the appropriate Application Monies (at \$0.35 per New Share subscribed for); or
- (d) **do nothing**, in which case all of your Entitlements will lapse.

Acceptances will not be valid if they are received after the Closing Date.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies. If the payment is insufficient to pay in full for the number of New Shares for which you have applied in your Entitlement & Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Entitlement & Acceptance Form). Alternatively, your Application will not be accepted.

If you take no action in respect of your Entitlement, you will forfeit any potential benefit to be gained from taking up that part of your Entitlement. As this is a non-renounceable offer,

your Entitlements are not tradeable. Refer to section 3.4 for further information in relation to this.

5.2 Payment by Electronic Funds Transfer

For payment via EFT, please follow the instruction on the Entitlement & Acceptance Form. You can make payment via EFT if you are the holder of an account that supports EFT transactions to an Australian bank account. If paying via EFT:

- (a) you do not need to return the Entitlement and Acceptance Form but are taken to make each of the statements and representations on that form and referred to in this Offer Document;
- (b) you should be aware that your financial institution may implement earlier cut off times with regards to electronic payment and it is your responsibility to ensure that funds are received by the Share Registry by **no later than 5.00 pm (Melbourne Time) on the Closing Date**; and
- (c) please be aware of any associated bank fees and you must quote your unique reference number included on the Entitlement & Acceptance Form as your payment reference/description when processing your EFT payment. Failure to do so may result in your funds not being allocated to your application and shares subsequently not issued.

5.3 Entitlement & Acceptance Form is binding

Return of a completed Entitlement & Acceptance Form (or payment via EFT) constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Offer Document and, once lodged, cannot be withdrawn. If the Entitlement & Acceptance Form is not completed correctly, it may still be treated as a valid Application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement & Acceptance Form is final.

5.4 Representations you will be taken to have made by accepting the Offer

By completing and returning your Entitlement & Acceptance Form or making a payment via EFT, you will be deemed to have:

- (a) acknowledged that you have fully read and understood this Offer Document and the Entitlement & Acceptance Form in their entirety and you acknowledge the matters and make the warranties, representations and agreements contained in this Offer Document and the Entitlement & Acceptance Form;
- (b) represented and warranted that:
 - (i) you are a Shareholder;
 - (ii) the laws of any place does not prohibit you from being given this Offer Document and Entitlement & Acceptance Form; and
 - (iii) application for New Shares (and, if applicable, any Additional Shares) by you does not breach any laws in any jurisdiction;
- (c) agreed to be bound by the terms of the Offer, the provisions of this Offer Document and the Constitution;

- (d) declared that the details and statements contained in the Entitlement & Acceptance Form are complete and accurate;
- (e) declared that you are over 18 years of age and have the legal capacity and power to perform all your rights and obligations under the Offer and your Entitlement & Acceptance Form;
- (f) authorised the Company to register you as the holder of the New Shares;
- (g) acknowledged that once the Company receives your Entitlement & Acceptance Form or any payment of Application Monies via EFT, you may not withdraw your Application or funds provided except as allowed by law;
- (h) represented that you have a registered address in a Relevant Jurisdiction as at the Record Date;
- (i) declared that you were the registered holder at the Record Date of the Shares indicated in the Entitlement & Acceptance Form as being held by you on the Record Date;
- (j) agreed to apply for and be issued up to the number of New Shares specified in the Entitlement & Acceptance Form, or for which you have submitted payment of any Application Monies via EFT, at the Issue Price per New Share;
- (k) authorised the Company, the Share Registry and their respective officers, employees or agents to carry out on your behalf all necessary actions for the New Shares to be issued to you, including, in the case of the Company and its officers or agents, act on instructions of the Share Registry upon using the contact details set out in your Entitlement & Acceptance Form;
- (l) understood and acknowledged that the information contained in this Offer Document and your Entitlement & Acceptance Form is not investment advice nor a recommendation that the New Shares are suitable for you given your investment objectives, financial situation or circumstances;
- (m) acknowledged that this Offer Document is not a prospectus, does not contain all of the information that you may require in order to assess an investment in the Company and is given in the context of the Company's past and ongoing continuous disclosure announcements to the ASX;
- (n) acknowledged that investment in the Company is subject to risk, including, without limitation, the risks outlined in section 6;
- (o) acknowledged that none of the Company or its related bodies corporate, affiliates or their respective directors, officers, partners, employees, representatives, agents, consultants or advisers guarantees the performance of the Company or the Share price, nor do they guarantee the repayment of capital;
- (p) authorised the Company to correct any errors in your Entitlement & Acceptance Form or any other document provided to you;
- (q) agreed to provide (and, if applicable, direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Offer and your holding of Shares on the Record Date; and
- (r) represented and warranted that:

- (i) you are not in the United States and are not acting for the account or benefit of a person in the United States;
- (ii) you acknowledge that the New Shares have not been, and will not be, registered under the US Securities Act 1933 or the securities laws of any state or other jurisdiction of the United States and accordingly, the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act 1933 and any other applicable securities laws; and
- (iii) you have not and will not send any materials relating to the Offer to any person in the United States or a person acting for the account or benefit of a person in the United States.

5.5 Privacy Act

If you complete an Application for New Shares (or make payment via EFT), you will be providing personal information to the Company (directly or by the Share Registry). The Company collects, holds and uses that information to assess your Application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share Registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988 (Cth)* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Application for New Shares, the Company may not be able to accept or process your Application.

5.6 Brokerage fee

No brokerage fee is payable by Shareholders who accept their Entitlement. No stamp duty is payable for subscribing for an Entitlement.

6. Risks

6.1 Risks

Shareholders should consider the investment in the context of their individual risk profile for speculative investments, investment objectives and individual financial and tax circumstances. Each Shareholder should consult their own stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to subscribe for New Shares.

An investment in Shares should be regarded as highly speculative and involves many risks. The New Shares under this Offer Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

There are a number of factors, both specific to the Company and of a general nature to the business and economic climate which may, either individually or in combination, affect the future operating and financial performance of the Company, its prospects, its investment returns and the value of its Securities. These risks include, but are not limited to, the risks set out in this section 6.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed and Shareholders should have regard to those risk factors that may be relevant to their own personal circumstances before deciding to invest in New Shares pursuant to this Offer Document.

The last trading price of Shares on ASX prior to the date of this Offer Document is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

6.2 Highly speculative investment

The Company is principally aiming to achieve long term profitability and may not generate profits in the short or medium term. Accordingly, an investment in the Shares may not be suitable as a short-term investment. The Company's share price may be subject to large fluctuation on small volumes of Shares traded and, the Shares may be difficult to sell at the quoted market price. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Shares may not reflect the underlying value of the Company.

An investment in the Company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time and are able to suffer the complete loss of their investment.

6.3 Key investment risks specific to the Company

(a) Consumer preferences

The Company's business is dependent on consumer awareness and market acceptance of its products. The Company may not be able to anticipate and react to trends within the packaging industry in a timely manner or accurately assess the impact that such trends may have on consumer preferences. Failure to respond to changes in consumer preferences or anticipate market trends may adversely affect the Company future revenues and performance. Although the Company has striven to establish market recognition for its products in the packaging industry, it is too

early in the life cycle of the Company's brand to determine whether Markers, Readers, blockchain technology and any further technology developed by the Company will achieve and maintain satisfactory levels of acceptance and sustained take-up by manufacturers and consumers.

(b) Health and safety risks

The Markers used by the Company are produced from materials chosen specifically for a specific application. Markers may, in some cases, include incredibly low concentrations of hazardous materials. The production of the Markers by the Company's employees includes, in some cases, dealing with hazardous materials. That is conducted according to the material's Material Safety Data Sheets and other relevant safety guidelines. These hazardous materials are not radioactive but are chemical substances.

The hazardous materials are sent to the customers at a low concentration (of the Marker) and therefore constitute a very low risk for the Company's customers. The risk of misuse or error in production in rare cases may cause damage to the Company's employees, which may affect the company's expenses and production abilities.

As noted above, the Company is in compliance with the requirements of ISO 9001:2015 standard for quality management and quality assurance as well as safety measures instructed by an external safety engineer.

(c) Quality risks

There is a risk (albeit, very low) that the Marker may contaminate the raw material or that certain raw material ingredients may be spoiled, contaminated by chemicals, microorganisms or toxins, or include foreign materials or substances. The risk of contamination may lead to product recalls or other interventions, which may cause serious damage to the Company's reputation, product liability claims and loss of revenue. Security Matters mitigates the quality risk by following precise production protocols, as well as conducting quality assurance tests to the Markers produced.

(d) Development and commercialisation

The success of the Company post Completion of the Offer will depend on the Company's ability to develop and commercialise the Company's technology. A failure to successfully develop and commercialise the Company's technology could lead to a loss of opportunities and adversely impact on the Company's operating results and financial position.

The global market for the Company's technology is ever changing due to new technologies, new products, changes in regulations and other factors influencing market acceptance or market rejection of the Company's technologies. This market volatility and risks exists despite the Company's best endeavours in relation to market research, promotion and sales campaigns. There is a risk that the Company's technology is not accepted by the market or are not used in proposed markets and industries. There is a risk that Company will not be able to commercialise its products, which could adversely impact on the Company's operations.

(e) Increasing competition

There are several competitors that operate in the anti-counterfeit and track-and-trace industries, but the Board considers that there are currently few, if any, competitors with the technological abilities to match the Company's capabilities. However, if new competitors enter the market, or established companies develop new products and technologies that are superior to the Company's current technology, the Company's ability to successfully exploit its technological advantage may be affected. The Company may be unable to develop further products or keep pace with developments and may lose market share to competitors. If the Company's competitors develop a more efficient business model or undertake a more aggressive marketing campaign, this is likely to adversely affect the Company's marketing strategies and results of operations.

There is no guarantee that consumers will take up the Company's products and the Company may be unable to compete successfully with more established track and trace and anti-counterfeit companies on price or quality or may be unsuited to the established preferences of potential consumers.

Generally, the track and trace and anti-counterfeit industry in which the Company operates is subject to global and domestic competition. The Company is unable to influence or control the conduct of its competitors and such conduct may detrimentally affect the Company's financial and operating performance.

(f) Failure to comply with laws, regulations and standards

Any changes to the existing regulatory framework or the imposition of new legislation or regulations applicable to any of the industries in which Security Matters operates may adversely affect the financial and operating performance of Security Matters. This risk factor applies to government policy and legislative changes in Australia and Israel, as well as the other countries in which the Company operates.

Additionally, the Markers must comply with health and safety laws in a wide range of jurisdictions, and failure to comply with such laws may lead to penalties and other liabilities being imposed on the Company. In such circumstances, the Company may be required to suspend production or cease operations, which may lead to a materially adverse effect on the Company's financial performance and profitability.

(g) Shareholders' rights and responsibilities will be governed by Australian law

The rights and responsibilities of the Shareholders are affected by political, sovereign and economic risks.

As the Company operates in foreign jurisdictions (such as Israel), it will be subject to those risks associated with operating in a foreign jurisdiction. Such risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, licencing, repatriation of income or return of capital, consumer health and safety or labour relations. While Israel is economically stable, there is no certainty that political and economic conditions will remain stable. Any deterioration in political or economic conditions, including hostilities or terrorist activity may adversely affect the Company's operations and profitability. There is a

risk that the government of Israel may change its policies regarding foreign investment, which may have an adverse impact on the Company's profitability

(h) Foreign sales

As at the date of this Prospectus, the Company undertakes international sales of its products. The international sales undertaken by the Company will be subject to a number of risks inherent in selling and operating abroad, which could adversely affect its ability to increase or maintain foreign sales. These include, but are not limited to, risks regarding:

- currency exchange rate fluctuations;
- local and international economic and political conditions;
- disruptions of capital and trading markets;
- accounts receivable collection and longer payment cycles;
- difficulties in managing foreign distribution and operations;
- potential hostilities and changes in trade or diplomatic relationships;
- restrictive government actions (such as restrictions on the transfer or repatriation of funds and trade protection measures, including export duties and quotas and customs duties and tariffs);
- changes in legal or regulatory requirements;
- the laws and policies of Israel and other countries affecting trade, foreign investment and loans and import or export licensing requirements; and
- tax laws.

Changes in circumstances or market conditions resulting from those risks may restrict the Company's ability to operate in an affected region and/or adversely affect the profitability of the Company's operations in that region.

(i) Cyber security risks

The Company invests significant resources in information technology protection measures. If these measures are breached, the Company may incur significant legal and financial exposure as a result of a loss of information, potential litigation and potential liability

6.4 General risks

(a) Potential for dilution

Upon implementation of the Offering, the Company will issue up to approximately 2,861,848 Shares (subject to rounding and assuming no existing Options are exercised prior to the Record Date). The capital structure upon completion of the Capital Raising is set out in section 4.2.

The issue of the New Shares will dilute the interests of existing Shareholders should they not take up their full Entitlement under the Offer. There is also a risk that Shareholders will be further diluted as a result of future capital raisings or debt for equity transactions required in order to fund working capital requirements of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Capital Raising being implemented and the Directors do not make any representation as to such matters.

(b) Impact of COVID-19

The Company has been directly impacted by the outbreak of COVID-19. The global impact of the COVID-19 pandemic, and the advice and responses from health and regulatory authorities, is continuously developing. The Directors are closely monitoring the situation and considering the impact on the Company's business from both a financial and operational perspective.

Global economic outlook is facing uncertainty due to the current COVID-19 pandemic, which has had and may continue to have a significant impact on capital markets and share prices. The Company's Share price has been, and may continue to be, adversely affected by the economic uncertainty caused by COVID-19.

To date, COVID-19 has affected equity markets, governmental action, regulatory policy, self-isolations and travel restrictions. These impacts are creating risks for the Company's business and operations in the short to medium term, including disruption to exploration, development and production activities, inability to source supplies or consumables and higher volatility in the global capital markets and diamond prices.

In addition, such outbreaks may result in restrictions on travel and public transport and prolonged closures of facilities or other workplaces, including those required for diamond sales, which may have a material adverse effect on the Company and the global economy more generally. Any material change in the Company's operating conditions, the financial markets or the economy as a result of these events or developments may materially and adversely affect the Company's business, financial condition and results of operations.

(c) Future capital needs and additional funding

The Company's activities may require future expenditures and the available funds may not be sufficient to cover expenditure that may be required to execute the planned operations or projects of the Group. There can be no guarantees that the funds raised through the Capital Raising will be sufficient to successfully achieve the objectives of the Company's overall business strategy.

The Company may need to raise further capital in the future through either debt or equity financing. Despite the Company's previous track record in raising funds, there is no assurance that the Company will be successful in obtaining the financing required as and when needed, particularly given recent volatility in global financial markets and diamond industry. Volatile markets may make it difficult or impossible for the Company to obtain debt or equity financing on favourable terms or at all. Failure to obtain additional financing on a timely basis, or the Group's activities do not eventuate as planned, may cause the Company to postpone development plans or reduce or terminate some or all of its activities, which could materially adversely affect the Company's prospects, operations, financial condition, results of operations and ability to continue as a going concern.

(d) Reliance on the Directors and management team

The success of the Company will be highly dependent on the expertise and experience of its Directors and senior management. The loss of any key personnel could harm the business or cause delay in the implementation of plans of the Company, whilst management time is directed to finding suitable replacements. In particular, the Company relies heavily on the experience of its senior management and Directors in developing and maintaining important relationships with governmental and regulatory authorities, partners, contractors and customers in the jurisdictions in which it operates. The Company's business therefore may be materially negatively affected by the failure to attract, or the departure of, any of these individuals, or any of a number of other key employees. There can be no guarantee that the Company will be able to continue to attract and retain required employees. The loss or diminution in the services of any of the Directors or any member of the senior management team or an inability to recruit, attract, train and/or retain necessary personnel with the requisite expertise and experience could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

(e) Retention of key business relationships

The Company relies significantly on strategic relationships with other entities, as well as the governments of Australia and Israel, and the communities surrounding its operations. Maintaining good relationships with regulatory and governmental departments, partners, customers and third parties to provide essential contracting services is essential. There can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed, and the Company could be materially adversely affected by changes to such relationships or difficulties in forming new ones.

(f) Dependence on third party services

The Company relies on products and services provided by third parties. If there is any interruption to the key products or services provided by such third parties the Company may be unable to find adequate replacement services on a timely basis or at all. The Company is unable to predict the risk of insolvency or other managerial failure by any of the contractors or other service providers currently or in the future used by the Company in its activities. Any of the foregoing may have a material adverse effect on the results of operations or the financial condition of the Company. In addition, the termination of these arrangements, if not replaced on similar terms, could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

(g) Market conditions

The share prices of publicly quoted companies can be highly volatile. The price at which the Shares are quoted and the price which investors may realise for their Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Company and its operations.

These factors include, without limitation, the performance of the Company and the overall stock market, large purchases or sales of Shares by other investors, changes in legislation or regulations and changes in general economic, political or regulatory conditions and other macroeconomic factors which are outside of the

control of the Company. The market price of the Shares could be subject to fluctuations in response to variations in the Company's prospects, results of operations, changes in general economic conditions, changes in accounting principles or other developments affecting the Company, its customers or its competitors, changes in financial estimates by securities analysts, the operating and share price performance of other companies, press and other speculation and other events or factors, many of which are beyond the Company's control. Volatility in the price of the Shares may be unrelated or disproportionate to the Company's operating results.

As the Company is listed on the ASX, the price of its securities is subject to the numerous influences that may affect both the trends in the share market and the share prices of individual companies, including movements in international and local stock markets, changes in the outlook for commodities, inflation, interest rates, general economic conditions and changes in government, fiscal, monetary and regulatory policies. In the future, these factors may cause the Company's securities to trade below current prices and may affect the income and expenses of the Company.

(h) Force majeure

Events may occur within or outside of the markets in which the Group operates that could impact upon the global, the Australian economy, the operations of the Company and the market price of its Shares. These events include acts of terrorism, outbreaks of international hostilities, fires, pandemic floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease, and other man-made or natural events or occurrences that can have an adverse effect on the Company's ability to conduct business.

The Company's operations have been affected by the spectre of the COVID-19 pandemic (as detailed in section 6.4(b)) and as a matter of course, management issued force majeure notices to a number of contractors and suppliers.

The Company does not have insurance for all force majeure risks, some of which (such as COVID-19) are, in any event, uninsurable. To the extent that such event occur, there may be an adverse effect on the operations and profitability of the Company.

(i) Insurance coverage

The Company insures its operations in accordance with the Company's needs and circumstances and plans to continue to insure against the risks it considers appropriate. However, the Company's insurance may not cover all potential risks associated with the Company's business. In addition, the Company may elect not to have insurance against certain risks, due to the high premium costs associated with insuring those risks or for various other reasons, including an assessment that the risks are remote. In the event that insurance coverage is not available, or the Company's insurance is insufficient to fully cover any losses, claims and/ or liabilities incurred, the Company's business and operations may be disrupted, and its financial results or financial position adversely affected. In addition, the payment by the Company's insurers of any insurance claims may result in increases in the premiums payable by the Company for its insurance cover and adversely affect the Company's financial performance. In the future, some or all of the Company's insurance coverage that is currently available may become unavailable or prohibitively expensive.

(j) Taxation

The taxation of an investment in the Company depends on the individual circumstances of investors. Changes in the tax laws of countries that are applicable to the Company, or any other subordinate legislation or the practice of any relevant taxation authority could have a material adverse effect on the Company. Any tax legislation and its interpretation and the legal and regulatory regimes which apply to the Company may change at any time, which could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

(k) Credit

Credit risk refers to the risk that any counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk mainly relates to amounts advanced to its operations and to the loans obtained by the Company. The Company's short-term cash surpluses are placed with banks that should have investment grade ratings. The maximum credit risk exposure relating to the financial assets is represented by their carrying values as at the balance sheet date.

(l) Economic conditions

Economic conditions, in Australia, Israel and globally, may affect the Company's performance. Adverse changes in such things as global and country-by-country economic growth, the level of economic activity and inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption and consumer spending, employment rates and industrial disruption, among others, are outside the control of the Company, are difficult to predict, and could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

(m) Foreign exchange rates

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, New Israeli Shekel and the Australian dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations that are not in the entity's functional currency. The Company manages some of its foreign exchange risk by maintaining a balanced position between foreign currency bank balances and hedging instruments.

(n) Anti-Bribery and Corruption

The Company has adopted a formal Anti-Bribery and Corruption Policy which applies to all staff, consultants and contractors that work with the Company across its controlled operations. The policy seeks to ensure that the Company operates in an ethical and transparent manner in all business dealings and that the Company has a mechanism for staff to alert management should any issues or incidents occur. The Company will continue to review its anti-corruption procedures to ensure that they are sufficiently robust to prevent corruption and to mitigate the risk of any controlled member of the Company committing an offence under applicable bribery legislation. There can be no guarantee that the employees of the Company or its other associates will abide by these procedures and as such the Company, its

Directors and employees of the Company could be exposed to criticism or prosecution under legislation in relevant jurisdictions.

(o) Anti-Slavery

The Company has adopted a formal Anti-Slavery Policy which applies to all staff, consultants and contractors that work with the Company across its controlled operations. The policy seeks to ensure that the Company operates in an ethical and transparent manner in all business dealings and that the Company has a mechanism for staff to alert management should any issues or incidents occur. The Company will continue to review its anti-slavery procedures to ensure that they are sufficiently robust to prevent any controlled member of the Company committing an offence under applicable anti-slavery legislation. There can be no guarantee that the employees of the Company or its other associates will abide by these procedures and as such the Company, its Directors and employees of the Company could be exposed to criticism or prosecution under legislation in relevant jurisdictions.

(p) Legal risks

The Company's operations in Australia and Israel are subject to the jurisdiction of the courts in those countries. The legal systems may be affected by political instability in those countries and additional legal risks, such as political influence in obtaining effective legal redress in courts and a high degree of discretion on the part of government agencies, may arise as a result.

Further the introduction of new legislation, amendments to existing legislation, the application of developments in existing common law, or the interpretation of those laws, could materially adversely affect the viability and profitability of the Company's assets and operations in Australia and Israel.

(q) Estimates in financial statements

Preparation of consolidated financial statements will require the Company to use estimates and assumptions. Accounting for estimates will require the Company to use its judgement to determine the amount to be recorded on its financial statements in connection with these estimates. In addition, the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. If the estimates and assumptions are inaccurate or change, the Company could be required to write down the value of certain assets. On an ongoing basis, the Company will re-evaluate its estimates and assumptions. However, the actual amounts could differ from those based on estimates and assumptions.

(r) Litigation

There can be no guarantee that the current or future actions of the Company will not result in litigation since there have been a number of cases where the rights and privileges of natural resource companies have been the subject of litigation and the mining industry, as with all industries, may be subject to legal claims, both with and without merit, from time to time. The Board cannot preclude that such litigation may be brought against the Company in the future. Any defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect

on the Company's financial position, results or operations. The Company's business may be materially adversely affected if the Company and/ or its employees or agents are found not to have met the appropriate standard of care or not exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards.

(s) Changes in accounting or reporting financial standards

Changes in accounting or reporting financial standards may adversely affect reported financial performance of the Company.

(t) Sovereign risks

In addition to its activities in Australia, the Company is also involved in operations in Israel and may explore other opportunities in other countries in the future. Whilst the Directors are of the opinion that the democratic and regulatory systems in those countries are relatively stable, the Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors. There can be no assurance that the political environment in these jurisdictions will continue and this could materially adversely affect the Company's prospects, operations, financial condition and results of operations.

The Company's projects and businesses may be adversely impacted by acts of terrorism or war. While the Company will undertake all reasonable due diligence in assessing the risks of terrorism and war in the countries and regions in which it invests, the risks of acts of terrorism and war cannot be fully mitigated.

(u) Legislative changes, government policy and approvals

Changes in government, monetary policies, taxation and any other laws or regulations in Australia, Israel or internationally may impact the Group's operations and the value of the Company's Shares.

The Group requires government regulatory approvals for its operations.

The impact of actions, including delays and inactions, by state, territory and federal governments may affect the Group's activities including such matters as access to land and infrastructure, compliance with environmental regulations, production and exploration activities and currency exchange. This may from time to time affect timing and scope of work to be undertaken. No guarantee can be given that all necessary permits, authorisations, agreements or licences will be provided to the Group by government bodies, or if they are, that they will be renewed, or that the Group will be in a position to comply with all conditions that are imposed.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially adversely affect the prospects and financial performance of the Company and the value of the Shares offered under this Offer Document.

The information in this Offer Document does not constitute a recommendation to subscribe for Shares and this Offer Document does not purport to contain all the information that you may require to evaluate a potential Application for New Shares. You should make your assessment of what information is relevant to your decision to participate in the Offer.

7. Defined terms

\$ or AUD means Australian dollar.

Additional Shares means those New Shares not issued under the Offer.

Applicant refers to a person who submits an Entitlement & Acceptance Form or makes payment via EFT.

Application refers to the submission of an Entitlement & Acceptance Form or making payment via EFT.

Application Monies means monies payable by Applicants in respect of their Applications.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as applicable.

Board means the board of Directors.

Capital Raising means the Offer and the Placement.

CHESS means Clearing House Electronic Subregister System.

Closing Date means the closing date of the Offer set out in the 'Important Information' section on page 2 (subject to the right of the Company to vary the date without notice).

Company or **SMX** means Security Matters Limited (ACN 626 192 998).

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Offer Document.

Eligible Shareholder has the meaning given in section 3.3 and excludes an Ineligible Foreign Shareholder.

Entitlement means an Eligible Shareholder's entitlement to participate in the Offer as it appears on the Entitlement & Acceptance Form.

Entitlement & Acceptance Form means the entitlement and acceptance form accompanying this Offer Document.

Group means the Company and all of its subsidiaries.

Ineligible Foreign Shareholder has the meaning given in section 3.8.

Issue Price means \$0.35 per New Share.

Listing Rules means the listing rules of the ASX as amended from time to time.

New Shares means the Share to be issued under the Offer of the Shortfall Offer.

Offer means the pro rata non-renounceable offer of New Shares on the basis of 1 New Share for every 49 Shares held on the Record Date at the Issue Price pursuant to this Offer Document.

Offer Document means this Offer Document.

Opening Date means the opening date of the Offer set out in the 'Important Information' section on page 2 (subject to the right of the Company to vary the date without notice).

Option means an option to subscribe for a Share.

Placement has the meaning given in section 3.2.

Record Date means the record date of the Offer set out in the 'Important Information' section on page 2.

Relevant Jurisdiction has the meaning given in section 3.3

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Share Registry means Boardroom Pty Limited (ABN 14 003 209 836).

Shortfall or **Shortfall Shares** means those New Shares under the Offer not applied for by Eligible Shareholders under their Entitlement.

Shortfall Offer has the meaning given in section 3.7.

Top-up Facility means the mechanism by which Eligible Shareholders can apply for Additional Shares.

US\$ means United States dollars.

Corporate Directory

Directors

Haggai Alon (Chief Executive Officer, Co-founder, Executive Director)

Everardus (Ed) Hofland (Co founder, Executive Chairman, Executive Director)

Jovanka Naumoska (Non-Executive Director)

Amir Bader (Non-Executive Director)

Kathryn Fay Davies (Non-Executive Director)

Company Secretary

Mark Licciardo

Registered office

c/- K&L Gates
Level 25, 525 Collins Street
Melbourne VIC 3000

Tel: +61 3 9205 2093

Fax: +61 3 9205 2055

Website

<https://www.securitymattersltd.com/>

Legal Advisers

K&L Gates
Level 25, 525 Collins Street
Melbourne VIC 3000

Share Registry

Boardroom Pty Limited
Level 12, 225 George St
Sydney NSW 2000
Investor Services: +61 2 9290 9600



Security Matters Limited
ACN 626 192 998

RIGHTS ISSUE ENTITLEMENT AND ACCEPTANCE FORM

Entitlement No.

Subregister

SRN/HIN.

Number of Shares held at 5pm
(AEST) on 4 May 2021

Offer Closes: 5pm AEST 14 May 2021

A Rights Acceptance

If you wish to accept your **FULL ENTITLEMENT** please complete and return this form **WITH YOUR PAYMENT FOR THE AMOUNT SHOWN BELOW**. The return of this form by the close date with payment will constitute acceptance of the Offer. Your signature is only required when an alteration to your address is indicated by you over the page.

Entitlement to New Shares	Price Per New Share	Amount payable for full acceptance
	\$0.35 per New Share =	

If you wish to accept **PART OF YOUR ENTITLEMENT ONLY** please complete this form showing in the box below the **NUMBER OF NEW SHARES BEING ACCEPTED** and the appropriate amount payable.

Number of New Shares accepted	Price Per New Share	Amount Enclosed
	\$0.35 per New Share =	\$

B Apply for additional shares (if available)

If you wish to apply for additional shares to your Rights Entitlement above please insert the number of shares in the box below and the appropriate amount payable. These additional shares will only be allotted if available and at the discretion of the Board.

Number of Additional Shares Applied for	Price Per Share	Amount Enclosed
	\$0.35 per New Share =	\$

B Payment

Payment may only be made by cheque, bank draft, money order or direct funds transfer/deposit. Cash will not be accepted via the mail or at the Wollongong Coal Limited Share Registry.

Payment Option 1 – Direct Funds Transfer/Deposit

Bank: NAB
BSB: 083-004
Account Number: 86-616-2705
Account Name: Security Matters Limited – Holding Account
Swift Code: NATAAU33

When making the direct transfer or deposit, please quote the Entitlement Number (as it appears on this form) as the deposit reference. Failure to do so may result in your application monies not being matched to your holding and the application not being processed

- To pay via direct funds transfer/deposit please contact your participating financial institution
- If paying by direct funds transfer/deposit you **MUST** return this Entitlement and Acceptance Form together with a copy of the receipt of payment from your bank or financial institution to corporateactions@boardroomlimited.com.au

Payment Option 2 – Cheque, bank draft or money order (record details below)

DRAWER	CHEQUE/BANK DRAFT/MONEY ORDER NO.	BSB NO.	ACCOUNT NO.	AMOUNT \$AUD
				\$

- Only cheques, bank drafts or money orders in Australian dollars and drawn on a bank or financial institution in Australia will be accepted.
- Your cheque, bank draft or money order must be made payable to "Security Matters Limited" and crossed "Not Negotiable".
- Please ensure that you submit the correct amount. Incorrect payments may result in your application being rejected.

C Contact Details

CONTACT NAME	TELEPHONE WORK	TELEPHONE HOME	EMAIL ADDRESS
	()	()	

By submitting this Entitlement and Acceptance Form, I/we represent and warrant that I/we have read and understood the offer document to which this Entitlement and Acceptance Form relates and declare that this application is completed and lodged according to the offer document and the instructions on the reverse of the Entitlement and Acceptance form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the constitution of Security Matters Limited and agree to the terms and conditions of the Offer under this offer document. I/We represent and warrant that I/we have not relied on any other information provided by the Company other than as set out in this offer document when making my/our decision to invest.

LODGEMENT INSTRUCTIONS TO APPLICANTS

Please read these instructions carefully

ACCEPTANCE OF YOUR ENTITLEMENT IN FULL OR PART

Multiply the number of New Shares for which you are accepting by \$0.35, then fill in the acceptance details, where necessary, in the space provided on the front of this form. Complete your cheque, bank draft or money order details on the front of this form and send your cheque, bank draft or money order and completed form to:

Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

Email corporateactions@boardroomlimited.com.au
Telephone No. 02 9290 9600
Facsimile No. 02 9279 0664

PAYMENT

Cheque, Bank Draft or Money Order

All cheques, bank drafts or money orders (expressed in Australian currency) are to be made payable to "Security Matters Limited" and crossed "Not Negotiable".

Direct funds transfer/deposit

If you make payment by direct funds transfer/deposit you must contact your Australian bank, credit union or building society to make this payment from your cheque or savings account. **When making the direct transfer or deposit, please quote the Entitlement Number (as it appears on this form) as the deposit reference. Failure to do so may result in your application monies not being matched to your holding and the application not being processed. A copy of the receipt issued by your bank or financial institution must be attached to this Entitlement and Acceptance Form and forwarded to corporateactions@boardroomlimited.com.au.**

PAYMENT - OVERSEAS RESIDENTS

Overseas shareholders who are permitted to apply for shares must obtain a draft in Australian currency payable on a bank in Australia, or where the shareholder has an account with a bank in Australia, by a cheque drawn on that bank within Australia.

The Australian currency draft should be attached to your completed form and the document mailed to:

Security Matters Limited
C/- Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

OVERSEAS SHAREHOLDERS ARE ADVISED TO ENSURE THEIR DOCUMENTS ARE POSTED TO AUSTRALIA BY AIRMAIL.

Personal cheques drawn on overseas banks in Australian or any foreign currency will not be accepted. These will be returned and the acceptance deemed to be invalid.

INTERPRETATION

Terms used in this Entitlement and Acceptance Form have the same meaning as defined in the offer document.

CHANGES OF ADDRESS SUPPORTED BY YOUR SIGNATURE(S)

If your address is not exactly as shown, please provide details below. This is only relevant for issuer sponsored registered holdings. CHESS holders must notify your sponsoring broker for amendments to holdings on the CHESS subregister.

CHANGE OF ADDRESS DETAILS – ISSUER SPONSORED ONLY		
SIGN HERE FOR ADDRESS AMENDMENTS:		

Shareholder 1 (Individual) /

Joint Shareholder 2 (Individual) /

Joint Shareholder 3 (Individual) / Director/

Sole Director & Sole Company Secretary

Director

Company Secretary (*Delete one*)

Privacy Statement:

Boardroom Pty Limited advises that Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your share holding and if some or all of the information is not collected then it might not be possible to administer your share holding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Entitlement and Acceptance Form.

Our privacy policy is available on our website (<http://www.boardroomlimited.com.au/Privacy.html>).