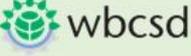


APPENDIX 4E
Preliminary Final Report

2020 ACHIEVEMENTS & MILESTONES		
<p>CAPITAL RAISE</p>  <p>Total raised in 2020 = \$10.3 Million</p>	<p>LAUNCH</p>  <p>3.0 Generation Blockchain Platform</p>	<p>SUCCESS</p>  <p>With BASF & reciChain consortium</p> <p>Traceability of recycled plastics</p>
<p>FORMATION</p>  <p>Transparent mine-to-marketplace for Gold ESG</p>	<p>JOINT DEVELOPMENT</p> <p>With BASF</p> <p>To accelerate progress towards a circular economy for plastics</p>	<p>OPENING</p>  <p>Fashion Sustainability Competence Centre</p>
<p>ENHANCED</p>   <p>Recycling for Brominated Flame Retardant Materials</p>	<p>SUCCESS</p> <p>With INTEL</p> <p>A new global standard for tech integrity & sustainable circularity for electronics</p>	<p>LAUNCH</p> <p>With SMX-B</p> <p>To trace origin & drive brand integrity for wine & alcohol</p>
<p>MEMBERSHIP</p>  <p>World Business Council for Sustainable Development</p>	<p>ESG INVESTMENT</p>  <p>Israel's largest Investment house</p>	<p>MAINTAINED STRONG INVESTOR & STAKEHOLDER CONFIDENCE AND SUPPORT</p>

Appendix 4E

Preliminary final report

1. Details of the reporting period and the previous corresponding period.

Name of Entity	Security Matters Limited ("the Company")
ABN	78 626 192 998
Reporting Period	31 December 2020
Previous Corresponding Period	31 December 2019

2. Results for announcement to the market

To be read together with review of operations information

	12 months ended Current Period US\$	12 months ended Previous Period US\$	Increase/ (decrease) %	Amount change US\$
Revenues from ordinary activities	13,447	12,542	7%	905
Loss from ordinary activities after tax attributable to members	(6,070,265)	(4,531,456)	34%	(1,538,809)
Net loss for the period attributable to members	(6,070,265)	(4,531,456)	34%	(1,538,809)

Dividend paid or reinvested

No dividends have been declared or are payable for the year ended 31 December 2020.

Accounting Standards for foreign entities

The financial information for the Company and its foreign subsidiary ("the group") were prepared in accordance with International Financial Reporting Standards.

Status of the audit

The financial statements in the preliminary final report are in the process of being audited.

Review of operations

- SMX is in an excellent position to build upon the innovations and achievements accomplished to make strong progress in its strategic roadmap for the SMX technology to be adopted and scaled up across its strategic market segments. SMX will continue to maintain a strong momentum as it progresses ongoing pilot projects into commercial contracts in 2021.
 - During the year, the Company recorded Revenues of US \$13,447 as well as Receipts and Receivables from Proof-of-Concept projects (POC's) and paid pilots of US\$548,606 (2019 - \$161,065). The Company treated the funds received from POC's and paid pilots as a reduction of R&D costs and not as revenues.
 - Sales and Marketing costs increased by \$0.2m as the Company's efforts shifted towards generating revenues.

- Demonstrating its adaptability and resilience during the continuing global health crisis, SMX retained its operational cost reduction measures that it had adopted at the start of the year.
 - R&D costs decreased by \$0.4m due to higher revenue from POCs.
- SMX is well prepared, determined, and confident in its firm commitment towards the commercialisation of its technology. In 2020, the company increased its strategic activities, launching projects and initiatives in collaboration with respected industry and business leaders.
 - G&A costs increased due to:
 - An increase of \$0.2m in legal and consultants' cost.
 - The share-based compensation cost, that was mostly issued to investors as a package of shares and options contributed to \$1.3m in the G&A expenses.

- Overall, there was a loss after income tax for the period totalling \$6,070,265 compared to a loss of \$4,531,456 in 2019.

Additional information is included under section 12 of Highlights during the year.

The preliminary financial report for the year ended 31 December 2020 is attached.

3. Net tangible assets per security

	2020	2019
	\$	\$

Net tangible asset backing per ordinary security	0.024	0.011
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4. Details of entities over which control has been gained or lost during the period

Name of entity (or group of entities)	True Gold Consortium Pty Ltd.	SMX Beverages Pty Ltd
Date control gained	4/6/2020	10/2/2020
Contribution of such entities to the reporting entity's loss from ordinary activities during the period (where material)	0	0

5. Details of associates and joint venture entities

Name of entity (or group of entities)	Yahaloma BC1219747
Date control gained	15/8/2019
Contribution of such entities to the reporting entity's loss from ordinary activities during the period (where material)	0

6. 2021 Annual General Meeting

Security Matters Limited advises that its Annual General Meeting will be held on Friday 7 May 2021. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all Shareholders and released to the ASX immediately after dispatch. In accordance with the Company's Constitution and ASX Listing Rules, valid nominations for the position of director are required to be lodged at the Registered Office of the Company by 5:00pm (AEDT) Friday 2 April 2021.

7. Consolidated statement of profit or loss and other comprehensive income

	USD	USD
	<u>2020</u>	<u>2019</u>
Revenue	13,447	12,542
Cost of sales	(10,324)	(7,793)
Gross profit	3,123	4,749
Gain on sale of IP	--	36,043
Research and development expenses, net	(1,656,558)	(2,073,697)
Selling and marketing expenses	(427,529)	(178,215)
General and administrative expenses	(3,976,101)	(2,271,496)
Finance expenses	(31,004)	(63,188)
Finance income	18,148	14,348
Loss before income tax	(6,069,921)	(4,531,456)
Taxes on income	--	--
Loss after income tax	(6,069,921)	(4,531,456)
Other comprehensive expense, net of tax	(344)	--
Foreign currency translation reserve	388,330	(81,818)
Total comprehensive Income	(5,681,935)	(4,613,274)

The above Consolidated Statement of Profit or Loss and Other Comprehensive income should be read in conjunction with the accompanying notes.

8. Consolidated statement of financial position

	USD	USD
	<u>2020</u>	<u>2019</u>
<u>Current Assets</u>		
Cash and cash equivalents	4,340,733	1,707,768
Other receivables	444,951	282,570
Total Current Assets	<u>4,785,684</u>	<u>1,990,338</u>
<u>Non-Current Assets</u>		
Property and equipment	950,991	470,853
Intangible assets	2,100,807	1,405,066
Investment in joint venture	248,272	213,957
Total non-current assets	<u>3,300,070</u>	<u>2,089,876</u>
Total assets	<u>8,085,754</u>	<u>4,080,214</u>
<u>Current Liabilities</u>		
Trade payables	515,041	192,313
Lease liability short term	52,650	37,664
Other payables	534,219	369,251
Borrowings from related parties	298,972	405,093
Total current liabilities	<u>1,400,882</u>	<u>1,004,321</u>
<u>Non-Current Liabilities</u>		
Lease liability long term	485,155	44,898
Provisions	--	6,553
Other Liabilities	88,990	103,982
Total non-current liabilities	<u>574,145</u>	<u>155,433</u>
Total liabilities	<u>1,975,027</u>	<u>1,159,754</u>
Net Assets	<u>6,110,727</u>	<u>2,920,460</u>
<u>Equity</u>		
Issued capital	21,930,056	14,987,577
Share based payment reserve	4,299,869	2,370,145
Foreign currency translation reserve	274,587	(113,743)
Accumulated losses	(20,393,785)	(14,323,519)
Total Equity	<u>6,110,727</u>	<u>2,920,460</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

9. Consolidated statement of changes in equity

	USD	USD	USD	USD	USD
	<u>Issued Capital</u>	<u>Share based payment reserve</u>	<u>Foreign currency translation reserve</u>	<u>Accumulated losses</u>	<u>Total Equity</u>
Balance on 1 January 2020	14,987,577	2,370,145	(113,743)	(14,323,519)	2,920,460
Comprehensive income					
Loss after income tax for the year	--	--	--	(6,070,266)	(6,070,266)
Other comprehensive income for the year, net of tax	--	--	388,330	--	388,330
Total comprehensive income for the year	--	--	388,330	(6,070,266)	(5,681,936)
Transactions with owners in their capacity as owners					
Issuance of shares	7,079,319	--	--	--	7,079,319
Capital raising costs	(172,721)	--	--	--	(172,721)
Exercise of Options by employee	35,881	--	--	--	35,881
Forfeit of Options	--	(133,703)	--	--	(133,703)
Share-based payments	--	2,063,427	--	--	2,063,427
Total transactions with owners in their capacity as owners	6,942,479	1,929,724	--	--	8,872,203
Balance on 31 December 2020	21,930,056	4,299,869	274,587	(20,393,785)	6,110,727

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	USD	USD	USD	USD	USD
	<u>Issued Capital</u>	<u>Share based payment reserve</u>	<u>Foreign currency translation reserve</u>	<u>Accumulated losses</u>	<u>Total Equity</u>
Balance on 1 January 2019	10,892,560	1,780,411	(31,925)	(9,792,063)	2,848,983
Comprehensive income					
Loss after income tax for the year	--	--	--	(4,531,456)	(4,531,456)
Other comprehensive loss for the year, net of tax	--	--	(81,818)	--	(81,818)
Total comprehensive income for the year	--	--	(81,818)	(4,531,456)	(4,613,274)
Transactions with owners in their capacity as owners					
Issuance of shares	4,404,885	--	--	--	4,404,885
Capital raising costs	(328,095)	--	--	--	(328,095)
Exercise of Options by employee	18,227	(7,034)	--	--	11,193
Share-based payments	--	596,768	--	--	596,768
Total transactions with owners in their capacity as owners	4,095,017	589,734	--	--	4,684,751
Balance on 31 December 2019	14,987,577	2,370,145	(113,743)	(14,323,519)	2,920,460

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

10. Consolidated Statement of Cashflows

	USD	USD
	2020	2019
<i>Cash flows from operating activities:</i>		
Loss before tax for the year	(6,070,265)	(4,531,456)
Share based compensation	1,965,605	596,768
(Increase)/decrease in Trade receivables	(6,346)	--
Depreciation and amortization	219,548	153,917
Non-cash gain on sale of intangible assets to joint venture	--	(36,043)
Increase/(decrease) in lease liability	16,765	(22,406)
Increase in other receivables	(156,035)	(88,349)
Increase/(decrease) in trade payables	322,728	(87,807)
Increase/(decrease) in other payables	149,687	87,111
Increase/(decrease) in provision	(6,553)	2,003
Increase/(decrease) in other liabilities	(14,992)	10,872
Cash used in operating activities	(3,579,858)	(3,915,390)
<i>Cash flows from investing activities:</i>		
Purchase of property, plant and equipment	(234,913)	(174,290)
Purchase of intangible assets	(722,038)	(523,656)
Cash used in investing activities	(956,951)	(697,946)
<i>Cash flows from financing activities:</i>		
Repayments of borrowings to related parties	(144,259)	(72,338)
Proceeds from issuance of shares, net	6,906,599	4,087,982
Cash provided from financing activities	6,762,340	4,015,644
(Decrease)/increase in cash and cash equivalents	2,225,531	(597,692)
Cash and cash equivalents at beginning of year	1,707,768	2,350,084
Exchange rate differences (including translation)	407,434	(44,622)
Cash and cash equivalents at end of year	4,340,733	1,707,770

The above Consolidated Statement of Cashflows should be read in conjunction with the accompanying notes

11. Notes to the financial statements

1. Reporting entity

Security Matters Limited, ABN 78 626 192 998 (the "Company") is an Australian public company which was incorporated on 16 May 2018.

The Company holds 100% of the shares in Security Matters Ltd. (Israeli Company number 515125771), that owns the technology (Licensed from the Israeli Atomic Agency) to permanently and irrevocably "mark" any object either solid, liquid or gas, allowing brand protection, authentication, supply chain integrity and quality assurance for countless products in virtually every industry.

2. Basis of preparation

a. Statements of compliance

These preliminary financial statements have been prepared in accordance with the *Corporations Act 2001*, the recognition and measurement principles of, but not all, disclosure requirements of Australian Accounting Standards and interpretations of the Australian Accounting Standard Board.

b. Functional and presentation currency

The functional currency for Security Matters Ltd. (Israel) is USD and the functional currency for Security Matters Limited (Australia) is AUD. The presentation currency of the group is USD.

c. Financial position

The preliminary consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

12. Highlights during the year

During the year ended 31 December 2020 the Company delivered strong progress across all operations having cemented and expanded its relationship with high calibre partners, industry and business leaders which are propelling the Company towards commercialisation.

Highlights for year ended 31 December 2020 include:

2020 ACHIEVEMENTS & MILESTONES		
<p>CAPITAL RAISE</p> <p>Total raised in 2020 = \$10.3 Million</p>	<p>LAUNCH</p> <p>3.0 Generation Blockchain Platform</p>	<p>SUCCESS</p> <p>With BASF & reciChain consortium</p> <p>Traceability of recycled plastics</p>
<p>FORMATION</p> <p>Transparent mine-to-marketplace for Gold ESG</p>	<p>JOINT DEVELOPMENT</p> <p>With BASF</p> <p>To accelerate progress towards a circular economy for plastics</p>	<p>OPENING</p> <p>Fashion Sustainability Competence Centre</p>
<p>ENHANCED</p> <p>Recycling for Brominated Flame Retardant Materials</p>	<p>SUCCESS</p> <p>With INTEL</p> <p>A new global standard for tech integrity & sustainable circularity for electronics</p>	<p>LAUNCH</p> <p>With SMX-B</p> <p>To trace origin & drive brand integrity for wine & alcohol</p>
<p>MEMBERSHIP</p> <p>World Business Council for Sustainable Development</p>	<p>ESG INVESTMENT</p> <p>PSAGOT</p> <p>Israel's largest Investment house</p>	<p>MAINTAINED STRONG INVESTOR & STAKEHOLDER CONFIDENCE AND SUPPORT</p>

- In 2020, SMX successfully raised a total of A\$10.36m at a premium to the then current share price via private placements that were supported by new and existing sophisticated institutional and professional investors, including A\$760k by Psagot as part of its ESG investment portfolio.
- A commercial service contract was signed with trueGold Consortium in which SMX will receive over A\$800k over a period of 12 months, as remuneration for its R&D work.
- SMX launched its commercial ready third generation 3.0 blockchain digital platform that will be a key enabler for value chain players across various industries to transition to the circular economy.

- SMX announced the incorporation of Security Matters Beverages (SMX-B), a joint venture company focussed on completing the development of SMX's patented wine anticounterfeiting and adulteration system and commercialising its application.
- SMX officially opened a Fashion Sustainability Competence Centre that targets fashion brands globally, enabling them to recycle their own merchandise (clothes, shoes, accessories including sunglasses) back into new high-quality materials and merchandise on a commercial scale.
- The proof-of-concept goals for the Supply Chain Integrity Project with Intel were successfully accomplished. SMX was able to prove its value added potential and benefits to Intel's Transparent Supply Chain, OEM credibility, Cyber hardware, and QA/QC use-cases.
- The International Bromine Council (BSEF) together with the North American Flame-Retardant Alliance (NAFRA), will adopt SMX's innovative technology to be deployed in whole value chains to improve compliance, traceability and circularity when it comes to brominated flame retardants, its applications and products.
- A joint development agreement was signed with BASF to develop solutions for plastics traceability. Following this, BASF's reciChain pilot project was formed with a consortium of twelve (12) leading industry players that successfully integrated SMX's technology to improve sorting and provide full traceability and transparency throughout the value chain for plastics.
- SMX becomes a member of the World Business Council for Sustainable Development (WBCSD). Joining the WBCSD enables SMX to form valuable relationships and working partnerships with WBCSD members of global companies to develop and scale-up sustainable and closed loop solutions.

There is an ever- increasing ESG requirement for businesses and industries to adhere to, from various regulatory bodies, NGOs, stakeholders, shareholders, and the wider public community. With more global companies seeking to meet their ESG responsibilities as well as transition successful to a closed loop circular economy, SMX is adequately resourced and well placed to scale its technology to meet the demands of these global companies.

The Company showed remarkable resilience in 2020, successfully raising additional capital, implementing its strategic initiatives, achieving key milestones, and continuing to launch innovative platforms. Demonstrating a firm commitment towards the commercialisation of its technology with revenue generation in 2021.