

28 August 2020

H1 FY20 Progress and Commercialisation Summary

- SMX is in a strong cash position to continue to commercialise its technology following the completion of two placements equating to A\$6.42 million
- 16% reduction in staff costs compared to H1 2019 as one of the measures to manage expenditure due to COVID-19
- Joint development agreement signed with BASF to develop solution for plastics traceability and circularity
- Joint venture company established, SMX-Beverages, which is focuses on the significant global alcohol market
- Formation of trueGold consortium completed, launching a mine-to-market gold supply chain assurance solution
- SMX became a member of the World Business Council for Sustainable Development which will fast-track adoption of its technology amongst leading global players

Security Matters Limited (ASX: [SMX](#)) (Security Matters or the Company), a company focused on digitising physical objects on the blockchain to enable a circular and closed loop economy, is delighted to announce an operational summary of its half yearly performance for the 2020 financial year.

Financial overview

SMX delivered receipts (Cash received) from customers of US\$260,000, Funds received from proof of concepts projects are treated as a reduction of R&D costs for accounting purposes and not as revenues.

The Company is in a strong cash position following the completion of two placements during the period. The Company successfully completed an oversubscribed placement to institutional and sophisticated shareholders, raising A\$5 million before costs. The placement issued 14,700,000 fully paid ordinary shares at A\$0.34 per share. The Company also issued a 1 for 3 attaching option with a three-year expiry, exercisable at A\$0.60.

Shortly after this SMX also completed a follow-on A\$1.42 million placement before costs to institutional investors as a result of additional strong interest received from investors during the first placement. The follow-on placement issued 4,173,764 fully paid ordinary shares and was completed on the same terms. SMX raised a total of A\$6.42 million before costs.

In light of the recent outbreak of COVID-19, SMX has taken precautions to manage its expenditure and preserve cash resources including reducing its staff costs to US\$734K for the period. This cost is 16% lower than H1 2019 (US\$873K).

Commercial operations

SMX delivered stronger than anticipated commercial progress across all of its ongoing projects partly due to the global changes and impacts of COVID-19 which have dramatically increased the importance placed on security and governance and potentially increasing the applicability of SMX's technology. This is expected to impact the speed of adoption due to the Company identifying a number of unique business opportunities. SMX has been working closely with its strategic and commercial partners throughout the period to further leverage its network within existing vertical relationships.

Plastics

SMX and BASF signed a binding joint development agreement to develop and commercialise solutions for plastics traceability and circularity. Security Matters will contribute its technology to enable physical and digital tracking of closed loop recycling, authenticate sustainability claims and improve sorting of plastic waste. The partnership leverages BASF's extensive experience in plastic additives, regulatory know-how and understanding of the plastics value chain. SMX and BASF will combine research and development capabilities and required resources as part of the agreement.

Counterfeit alcohol

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-B is 50% owned by Security Matters and 50% owned by a company owned by former Macquarie banker Mr Peter Yates AM and Mr Leon Kempner AM. The technology addresses the multi-billion dollar per annum alcohol counterfeiting market and comprises an invisible, liquid-based barcode system, a proprietary reader and a blockchain record to protect data ownership.

trueGold – a joint venture company with The Perth Mint

The Company progressed developments with The Perth Mint with the signing of a MoU (Memorandum of Understanding) to commence the initiative, focused on the development of the world's first mine-to-marketplace ethical gold supply chain assurance solution.

Subsequent to the period, trueGold Consortium was formed with the W.A. Mint Pty Ltd and will be owned 50/50 by SMX and W.A. Mint Pty Ltd, a subsidiary of the Perth Mint.

The establishment of trueGold's global tech platform once adopted, is expected to help to enhance, complement and promote the current ESG frameworks provided by the World Gold Council (Responsible Gold Mining Principles) and London Bullion Market Association (Responsible Gold Guidance) by offering a technology and blockchain platform that can promote and drive integrity, anticounterfeiting, corporate transparency, accountability and sustainability across the gold industry value chain.

SMX also became a member of the World Business Council for Sustainable Development (WBCSD). The World Business Council for Sustainable Development is a CEO-led global organisation of over 200 leading businesses across multiple industry sectors, all working together to accelerate the transition to a sustainable world. Joining the WBCSD enables SMX to form valuable relationships and working partnerships with other members and key stakeholders to develop and scale-up sustainable and closed loop solutions. With SMX's technology and digital platform, WBCSD member companies will be able to trace, authenticate and verify the origin, supplier, manufacturer and exact composition of all raw materials in the finished product through every stage of the supply chain.

Outlook

SMX will continue to be vigilant and highly adaptive to the challenging environment it is operating in due to the global Covid-19 pandemic. It will remain disciplined in terms of managing its expenses and overhead costs.

Driven by its long-term vision and staying focused on its key strategic market segments, SMX will continue to work towards accelerating the speed of adoption and commercialisation of its technology. Building upon the innovative, entrepreneurship and excellence of our team, SMX will continue to offer our clients creative applications and solutions to trace, authenticate and verify the origin, supplier, manufacturer and exact composition of all raw materials in the finished product through every stage of the supply chain.

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 successfully to a closed looped circular economy, SMX is adequately resourced and well placed to scale its technology to meet the demands of these global companies.

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By order of the Chief Executive Officer.

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About Security Matters Limited

Security Matters has commenced the commercialisation of its unique, patented technology that uses a hidden chemical-based 'barcode' to permanently and irrevocably 'mark' any object, be it solid, liquid or gas. The barcode is read using the company's unique 'reader' to access the corresponding stored data, recorded and protected using blockchain technology.

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