

30 April 2021

Q1/2021 – Quarterly Activity Report

- Record receipts from customers (for paid pilots and POC's) of US\$215k compared to 198K in Q4 2020, up 9% and US\$160K in Q3 2020, up 23%. This is primarily due to the significant advancements of projects underway with BASF and TrueGold.
- Marketing costs were US\$47K, down 57% on the previous corresponding period
- Subsequent event after Q1, SMX successfully raised \$5.147 million in a private placement at \$0.35 per share.

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 its Appendix 4C for the three months ended 31 Month 2021 and provides an overview of its operational highlights.

SMX joins World Business Council for Sustainable Development to Launch a Pilot Project for Circular Electronic Manufacturing

SMX and 13 top electronics brands have joined a new alliance formed by 6 founding partners, among them the World Business Council for Sustainable Development (WBCSD), to set a shared vision for a circular economy for electronics, called the Circular Electronics Partnership (CEP).

This group of pioneering global companies have been brought together to dramatically reduce e-waste and to commit to a roadmap for a circular economy for electronics by 2030.

The Circular Electronic Manufacturing pilot project will play a tangible and practical role in CEP's roadmap for the electronic brands and manufacturers to transition successfully to a circular economy.

The primary objective of the pilot project is to accelerate the launch of an electronic manufacturing industry standard by developing a technology that can mark, track & trace electronics and electrical equipment (EEE) along the supply chain. And with SMX's unique digital blockchain platform, it will enable the electronic manufacturers to recycle their end-of-life products and reduce the use of virgin raw materials.

Outlook

"SMX is well positioned to build upon the post-Covid recovery and will continue to make strong positive progress towards the adoption and commercialisation of its technology. SMX will continue to be driven by strong innovation; the talent and motivation of its teams; and its objective to enable global companies to successfully transition to a truly circular economy – where every material is fully utilised and nothing goes to waste."

--Ends--

By order of the Chief Executive Officer.

For further information, please contact:

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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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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Security Matters Limited

ABN

78 626 192 998

Quarter ended ("current quarter")

31 March, 2021

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (3 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	215	215
1.2 Payments for		
(a) research and development	-414	-414
(b) product manufacturing and operating costs		
(c) advertising and marketing	-47	-47
(d) leased assets	-23	-23
(e) staff costs	-610	-610
(f) administration and corporate costs	-563	-563
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-2	-2
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	120	120
1.9 Net cash from / (used in) operating activities	-1,323	-1,323
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	-115	-115
(d) investments		
(e) intellectual property	-305	-305
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-420	-420

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	73	73
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	209	209
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-26	-26
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	256	256

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,339	4,339
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-1,323	-1,323
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-420	-420

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	256	256
4.5	Effect of movement in exchange rates on cash held	-15	-15
4.6	Cash and cash equivalents at end of period	2,837	2,837

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	2,837	4,339
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,837	4,339

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-15
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Payments to directors- US\$97,000.

Payments for services by Kibbutz Ketura (substantial shareholder) all at cost price: bookkeeping services, leased cars, rent, office costs- US\$15,000.

<p>7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i></p>	<p>Total facility amount at quarter end \$US'000</p>	<p>Amount drawn at quarter end \$US'000</p>
7.1 Loan facilities	270	270
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	270	270
7.5 Unused financing facilities available at quarter end		0
<p>7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>Shareholder loan from Ketura and Degania (substantial shareholders of SMX) for ILS 900,000 (USD 270K at quarter end). Terms of loan: 1) Annual interest rate of 4%. 2) Loan repayment in quarterly instalments of ILS 250,000 (~US\$ 75K) The loan is described in more detail in the prospectus in section 10.16 and in a pre-quotation disclosure dated 11 October 2018.</p>		

<p>8. Estimated cash available for future operating activities</p>	<p>\$US'000</p>
8.1 Net cash from / (used in) operating activities (item 1.9)	-1,323
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,837
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,837
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.14
<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>	
<p>8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?</p> <p>Answer: N/a</p> <p>8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?</p> <p>Answer: N/a</p>	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/a

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:30 April 2021.....

Authorised by:Chief Executive Officer.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.