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**APPENDIX 4E**  
Preliminary Final Report 2021

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## 2021 Highlights and Milestones

- SMX announced a new collaboration with LVMH Métiers d'Art on a series of R&D projects aimed at improving traceability for raw materials in the luxury fashion industry.
- SMX and Continental, one of the world's leading tyre manufacturers entered into a Collaboration Agreement to provide greater transparency and traceability along its entire value chain of tyres and technical rubber products. This followed the successful completion of SMX's 'Rubber Plantation to Factory' project.
- Awarded the 2021 Global Waste Management & Recycling Digitalization Technology Innovation Leadership Award by Frost & Sullivan.
- SMX introduces its Generation 2.0 'Plastic Circular Economy Online Unit' and launches a circular sustainable solution for the forest, lumber and wood industry.
- The Company is in the process of launching its forest, lumber and wood operations focusing on Eucalyptus gum trees and a species from the pine family.
- Total record receipts FY21 receipts totalled US\$1,091K, an increase of 99% compared to US\$549K for FY20.
- SMX's held US\$4.171m in cash as of 31 December 2021, with current funds sufficient to maintain the Company activities until end of Q4 2022, which is without the expected increase in revenue and receivables from customers, that will all together fund the Company until to end of Q2 2023.
- SMX Fashion Sustainability Competence Centre integrates organic cotton into its platform.
- SMX's platform application expanded to become a global solution and an industry standard both on rubber, timber and lumber, through memberships with the Global Platform for Sustainable Natural Rubber ("GPSNR") and 4evergreen.
- SMX joined the Plastic Recycling Association of Singapore (PRAS), a leading non-profit organisation to develop solutions for recycling challenges in Singapore and for the Southeast Asian region.
- A patent was filed for the computerised Exchange Platform (EXP) for the distributed management of electronic certificates associated with transactions of plastic units – transforming digital certificates into Plastic Credits with a monetized trading value
- A collaborative partnership was established with the Israeli Cotton Board (ICB) utilizing SMX's technology to provide proof of origination and authentication through a product lifecycle
- SMX became a member of the Circular Electronics Partnership (CEP), a World Business Council for Sustainable Development (WBCSD) backed alliance focused on creating a circular economy for electronics
- Increase R&D activities with near term commercial opportunities relating to palm oil, cocoa and soybean.

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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 2021
Previous Corresponding Period	31 December 2020

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	(100%)	(13,447)
Loss from ordinary activities after tax attributable to members	(4,991,431)	(6,021,015)	17%	1,029,584
Net loss for the period attributable to members	(4,991,431)	(6,021,015)	17%	1,029,584

**Dividend paid or reinvested**

No dividends have been declared or are payable for the year ended 31 December 2021.

**Accounting Standards for foreign entities**

The financial information for the Company and its foreign subsidiaries (“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 2022.

- During the year, the Company recorded Receipts and Receivables from Proof-of-Concept projects (POC’s) and paid pilots of \$1,091,350 compared to \$548,606 in 2020. The Company treated the funds received from POC’s and paid pilots as a reduction of R&D costs.
- R&D expenses during the current period were increased to \$2,038,916 compared to \$1,689,266 in 2020, due to the growth in the number of the Company’s R&D employees required to support the growth in activity.
- G&A expenses during the current period were decreased to \$2,534,285 compared to \$3,894,142 in 2020, due to a large amount of share-based compensation (issuance of options) that was issued in 2020, mainly to strategic business development advisors.

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- Overall, the loss after income tax for the period totalled 4,991,431 compared to a loss of \$6,021,015 in 2020.

These results are expected for a young technology company that requires intensive R&D and is in the transition to commercial scale deployment.

The Company targets leading brands and manufacturers (instead of targeting direct consumers) in order to create a new market standard for brand authentication and supply chain integrity.

The Company has two main features of its business model:

- (i) The Company as a business to business company; and
- (ii) The Company offers a 'white label' solution.

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

The preliminary financial report for the year ended 31 December 2021 is attached.

### 3. Net tangible assets per security

	2021 \$	2020 \$
Net tangible asset backing per ordinary security	0.019	0.024

### 4. Details of entities over which control has been gained or lost during the period

Name of entity (or group of entities)	Security Matters France
Date control gained	11/6/2021
Contribution of such entities to the reporting entity's loss from ordinary activities during the period (where material)	-

### 5. Details of associates and joint venture entities

Name of entity (or group of entities)	True Gold Consortium Pty Ltd.	SMX Beverages Pty Ltd	Yahaloma BC1219747
Percentage Holding	46.5%	50% <sup>(1)</sup>	50%
Contribution of such entities to the reporting entity's loss from ordinary activities during the period (where material)	0	0	(101,660)

<sup>(1)</sup> in December 2021 SMX signed an agreement with Global BevCo to acquire the remaining 50% in SMX Beverages Pty Ltd. The transaction will be completed by March 2022.

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**6. 2022 Annual General Meeting**

Security Matters Limited advises that its Annual General Meeting will be held on May 6, 2022. 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 05:00pm (AEDT) Friday 1 April 2022.

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

	USD	USD
	<u>2021</u>	<u>2020</u>
Revenue	--	13,447
Cost of sales	--	(10,324)
<b>Gross profit</b>	<b>--</b>	<b>3,123</b>
Research and development expenses, net	(2,038,916)	(1,689,266)
Selling and marketing expenses	(453,330)	(427,530)
General and administrative expenses	(2,534,285)	(3,894,142)
Share of net loss from Joint Ventures	(101,660)	(344)
<b>Operating Loss</b>	<b>(5,128,191)</b>	<b>(6,008,159)</b>
Finance expenses	(101,082)	(79,132)
Finance income	237,842	66,276
<b>Loss before income tax</b>	<b>(4,991,431)</b>	<b>(6,021,015)</b>
Taxes on income	--	--
<b>Loss after income tax</b>	<b>(4,991,431)</b>	<b>(6,021,015)</b>
Foreign currency translation reserve	(648,128)	388,330
<b>Total comprehensive Income</b>	<b>(5,639,559)</b>	<b>(5,632,685)</b>

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

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8. Consolidated statement of financial position

	USD <u>2021</u>	USD <u>2020</u>
<u>Current Assets</u>		
Cash and cash equivalents	4,171,125	4,340,733
Trade receivables	--	6,346
Other receivables	898,329	438,605
<b>Total Current Assets</b>	<b>5,069,454</b>	<b>4,785,684</b>
<u>Non-Current Assets</u>		
Property and equipment	962,099	950,991
Intangible assets	3,540,830	2,100,807
Investment in joint venture	146,612	248,272
<b>Total non-current assets</b>	<b>4,649,541</b>	<b>3,300,070</b>
<b>Total assets</b>	<b>9,718,995</b>	<b>8,085,754</b>
<u>Current Liabilities</u>		
Trade payables	916,522	515,041
Lease liability short term	37,553	52,650
Other payables	640,172	553,252
Borrowings from related parties	269,311	279,939
<b>Total current liabilities</b>	<b>1,863,558</b>	<b>1,400,882</b>
<u>Non-Current Liabilities</u>		
Lease liability long term	465,812	485,155
Provisions	--	--
Other Liabilities	84,858	88,990
<b>Total non-current liabilities</b>	<b>550,670</b>	<b>574,145</b>
<b>Total liabilities</b>	<b>2,414,228</b>	<b>1,975,027</b>
<b>Net Assets</b>	<b>7,304,767</b>	<b>6,110,727</b>
<u>Equity</u>		
Issued capital	28,250,787	21,880,805
Share based payment reserve	4,763,486	4,299,869
Foreign currency translation reserve	(373,541)	274,587
Accumulated losses	(25,335,965)	(20,344,534)
<b>Total Equity</b>	<b>7,304,767</b>	<b>6,110,727</b>

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

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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>
<b>Balance on 1 January 2021</b>	<b>21,880,805</b>	<b>4,299,869</b>	<b>274,587</b>	<b>(20,344,534)</b>	<b>6,110,727</b>
<b>Comprehensive income</b>					
Loss after income tax for the year	--	--	--	(4,991,431)	(4,991,431)
Other comprehensive income for the year, net of tax	--	--	(648,128)	--	(648,128)
Total comprehensive income for the year	--	--	(648,128)	(4,991,431)	(5,639,559)
<b>Transactions with owners in their capacity as owners</b>					
Issuance of shares	6,198,777	--	--	--	6,198,777
Capital raising costs	(223,929)	--	--	--	(223,929)
Forfeit of Options	--	(256,221)	--	--	(256,221)
Share-based payments	395,134	719,838	--	--	1,114,972
Total transactions with owners in their capacity as owners	6,369,982	463,617	--	--	6,833,599
<b>Balance on 31 December 2021</b>	<b>28,250,787</b>	<b>4,763,486</b>	<b>(373,541)</b>	<b>(25,335,965)</b>	<b>7,304,767</b>

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>
<b>Balance on 1 January 2020</b>	<b>14,987,577</b>	<b>2,370,145</b>	<b>(113,743)</b>	<b>(14,323,519)</b>	<b>2,920,460</b>
<b>Comprehensive income</b>					
Loss after income tax for the year	--	--	--	(6,021,015)	(6,021,015)
Other comprehensive loss for the year, net of tax	--	--	388,330	--	388,330
Total comprehensive income for the year	--	--	388,330	(6,021,015)	(5,632,685)
<b>Transactions with owners in their capacity as owners</b>					
Issuance of shares	7,065,949	--	--	--	7,065,949
Capital raising costs	(172,721)	--	--	--	(172,721)
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	--	--	8,822,952
<b>Balance on 31 December 2020</b>	<b>21,880,805</b>	<b>4,299,869</b>	<b>274,587</b>	<b>(20,344,534)</b>	<b>6,110,727</b>

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

10. Consolidated Statement of Cashflows

	USD 2021	USD 2020
<b><u>Cash flows from operating activities:</u></b>		
Loss before tax for the year	(4,991,431)	(6,021,015)
Share based compensation	463,617	1,965,605
(Increase)/decrease in other trade receivables	6,346	(6,346)
Increase in Trade receivables	(459,724)	(156,034)
Depreciation and amortization	314,655	219,548
Increase/(decrease) in lease liability	(34,440)	16,765
Increase in trade payables	401,481	322,728
Increase in other payables	86,920	149,687
Decrease in provision	--	(6,553)
(Decrease) in other liabilities	(4,132)	(14,992)
Share in the losses of subsidiary, net	101,660	--
<b>Cash used in operating activities</b>	<b>(4,115,048)</b>	<b>(3,530,607)</b>
<b><u>Cash flows from investing activities:</u></b>		
Purchase of property, plant and equipment	(297,475)	(234,913)
Purchase of intangible assets	(1,468,310)	(722,038)
<b>Cash used in investing activities</b>	<b>(1,765,785)</b>	<b>(956,951)</b>
<b><u>Cash flows from financing activities:</u></b>		
Repayments of borrowings to related parties	(12,688)	(144,259)
Proceeds from issuance of shares, net	6,369,982	6,857,348
<b>Cash provided from financing activities</b>	<b>6,357,294</b>	<b>6,713,089</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>476,461</b>	<b>2,225,531</b>
Cash and cash equivalents at beginning of year	4,340,733	1,707,768
Exchange rate differences (including translation)	(646,069)	407,434
<b>Cash and cash equivalents at end of year</b>	<b>4,171,125</b>	<b>4,340,733</b>

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

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## 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 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 2021 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 2021 include:

- In 2021, SMX successfully raised a total of A\$6.2m via private placements that were supported by new and existing sophisticated and strategic investors.
- SMX announced a new collaboration with LVMH Métiers d'Art on a series of R&D projects aimed at improving traceability for raw materials in the luxury fashion industry.
- Awarded the 2021 Global Waste Management & Recycling Digitalization Technology Innovation Leadership Award by Frost & Sullivan.
- SMX introduced its Generation 2.0 ‘Plastic Circular Economy Online Unit’ and launched a circular sustainable solution for the forest, lumber and wood industry.
- SMX’s platform application has expanded to become a global solution and an industry standard both on rubber, timber and lumber through memberships with the Global Platform for Sustainable Natural Rubber (“GPSNR”) and 4evergreen.

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 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 2021, 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.

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