

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report:

Commission File Number: 001-41639

SMX (Security Matters) Public Limited Company

(Exact name of Registrant as specified in its charter)

Not applicable (Translation of Registrant's name into English)	Ireland (Jurisdiction of incorporation or organization)
Mespil Business Centre Mespil House, Sussex Road Dublin 4, Ireland, D04 T4A6 +353-1-920-1000 (Address of principal executive offices)	
Haggai Alon haggai@securitymattersltd.com Mespil Business Centre Mespil House, Sussex Road Dublin 4, Ireland, D04 T4A6 Tel: +353-1-920-1000 (Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)	

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, with a nominal value of \$0.00000000000001 per share	SMX	Nasdaq Stock Market LLC
Warrants, each exercisable for one Ordinary Share at an exercise price of \$540,787.50 per share	SMXWW	Nasdaq Stock Market LLC

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: On December 31, 2024, the issuer had 1,163,365 Ordinary Shares, with a par value of \$4.70250015 per share and 132 public warrants each exercisable for one Ordinary Share at an exercise price of \$540,787.50 per share outstanding ("Public Warrants").

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
 Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

†The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting over Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board ® Other

If “Other” has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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GENERAL INFORMATION

Unless context otherwise requires, all references in this Annual Report on Form 20-F to the “Company,” “we,” “us” and “our” refer to SMX (Security Matters) Public Limited Company and, where appropriate, its consolidated subsidiaries.

This Annual Report includes trademarks, tradenames and service marks, certain of which belong to us and others that are the property of other organizations. Solely for convenience, trademarks, tradenames and service marks referred to in this Annual Report appear without the ®, ™ and SM symbols, but the absence of those symbols is not intended to indicate, in any way, that we will not assert our rights or that the applicable owner will not assert its rights to these trademarks, tradenames and service marks to the fullest extent under applicable law. We do not intend our use or display of other parties’ trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F (including information incorporated by reference herein, the “Report”) contains or may contain forward-looking statements as defined in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that involve significant risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. Forward-looking statements reflect the Company’s current views with respect to, among other things, its capital resources, performance and results of operations. Likewise, all of the Company’s statements regarding anticipated growth in operations, anticipated market conditions, demographics and results of operations are forward-looking statements. Words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “could,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of these words or variations of such words and similar expressions are intended to identify the forward-looking statements. Forward-looking statements in this Report and in any document incorporated by reference in this Report may include, for example, statements about:

- the Company’s financial performance;
- the ability to maintain the listing of the Ordinary Shares on Nasdaq;
- changes in the Company’s strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects and plans;
- the Company’s ability to develop and launch products and services;
- the Company’s ability to successfully and efficiently integrate future expansion plans and opportunities;
- the Company’s ability to grow its business in a cost-effective manner;
- the Company’s product development timeline and estimated research and development costs;
- the implementation, market acceptance and success of the Company’s business model;

- developments and projections relating to the Company's competitors and industry;
- the Company's approach and goals with respect to technology;
- the Company's expectations regarding its ability to obtain and maintain intellectual property protection and not infringe on the rights of others;
- the impact of war, terror threats, or adverse public health developments on the Company's business;
- changes in applicable laws or regulations; and
- the outcome of any known and unknown litigation and regulatory proceedings.

These forward-looking statements are based on information available as of the date of this Report, and current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing views as of any subsequent date, and no obligation is undertaken to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. The risk factors and cautionary language referred to or incorporated by reference in this Report provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described in our forward-looking statements, including among other things, the items identified in the section entitled "*Risk Factors*". You should, however, review the factors and risks that the Company describes in the reports it will file from time to time with the SEC.

As a result of a number of known and unknown risks and uncertainties, actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include:

- the outcome of any legal proceedings that may be instituted against the Company;
- the ability to maintain the listing of the Ordinary Shares on Nasdaq;
- changes in applicable laws or regulations;
- the effects of future pandemics, or other future health crises on the Company's business;
- the ability to implement business plans, forecasts, and other expectations, and identify and realize additional opportunities;
- the risk of downturns and the possibility of rapid change in the highly competitive industry in which the Company operates;
- the risk that the Company and its current and future collaborators are unable to successfully develop and commercialize its products or services, or experience significant delays in doing so;
- the risk that the Company may never achieve or sustain profitability;
- the risk that the Company will need to raise additional capital to execute its business plan, which may not be available on acceptable terms or at all;
- the risk that the Company experiences difficulties in managing its growth and expanding operations;
- the risk that third-party suppliers and manufacturers are not able to fully and timely meet their obligations;
- the risk that the Company is unable to secure or protect its intellectual property;
- the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors; and
- other risks and uncertainties described in this Annual Report, including those under "*Item 3.D Risk Factors.*"

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

A. Directors and Senior Management

Not applicable.

B. Advisors

Not applicable.

C. Auditors

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

A. Offer Statistics

Not applicable.

B. Method and Expected Timetable

Not applicable.

ITEM 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

An investment in our securities is highly speculative, involves a high degree of risk and should be made only by investors who can afford a complete loss. If any of the following risks actually occurs, then our business, financial condition or results of operations could be materially adversely affected, the trading of our ordinary share and warrants could decline, and you may lose all or part of your investment therein. In addition to the risks outlined below, risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. Potential risks and uncertainties that could affect our operating results and financial condition include, without limitation, the following:

Risks Related to Our Financial Statements

Our financial statements for the year ended December 31, 2024 contain an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern.

Our financial statements for the year ended December 31, 2024 contain an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. This going concern assessment may prevent us from obtaining new financing on reasonable terms, if at all, and imperil our ability to continue operating as a going concern.

We are subject to significant accounts payable and other current liabilities.

We have accounts payable and accrued liabilities of approximately \$13,692 thousand as of December 31, 2024. We also incur indebtedness from time to time to fund operations, which have historically been converted into equity but in the future may be required to be repaid at maturity. Our operations are not currently able to generate sufficient cash flows to meet our payable and other liabilities, which could reduce our financial flexibility, increase interest expenses, and adversely impact our operations. We have not historically generated sufficient cash flow from operations to enable us to repay indebtedness and to fund other liquidity needs, including capital expenditure requirements. Such indebtedness could affect our operations in several ways, including the following:

- a significant portion of our cash flows could be required to be used to service such indebtedness.
- a high level of indebtedness could increase our vulnerability to general adverse economic and industry conditions.
- any covenants contained in the agreements governing such outstanding indebtedness could limit our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments.
- a high level of indebtedness may place us at a competitive disadvantage compared to our competitors that are less leveraged and, therefore, our competitors may be able to take advantage of opportunities that our indebtedness may prevent us from pursuing.
- debt covenants may affect our flexibility in planning for, and reacting to, changes in the economy and in our industry, if any; and
- any ability to convert or exchange such indebtedness for equity in the Company can cause substantial dilution to existing stockholders of the Company.

Risks Related to Ownership of the Ordinary Shares

A market for our securities may not continue, which would adversely affect the liquidity and price of our securities. Additionally, the trading price of our securities could be volatile and subject to wide fluctuations.

The trading price of our securities could be volatile and subject to wide fluctuations in response to various factors, some of which are beyond our control. Any of the factors listed below could have a material adverse effect on your investment in our securities and our securities may trade at prices significantly below the price you paid for them. In such circumstances, the trading price of our securities may not recover and may experience a further decline.

The price of our securities may fluctuate significantly due to general market and economic conditions. An active trading market for our securities may never develop or, if developed, it may not be sustained. In addition, the price of our securities can vary due to general economic conditions and forecasts, general volatility in the markets, our general business condition and the release of our financial reports.

Broad market and industry factors may materially harm the market price of our securities irrespective of our operating performance. The stock market in general and Nasdaq have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our securities, may not be predictable. A loss of investor confidence in the market for the stocks of other companies that investors perceive to be similar to the Company could depress our stock price regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of our securities also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future.

In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources and could also require us to make substantial payments to satisfy judgments or to settle litigation.

Additionally, if our securities become delisted from Nasdaq for any reason, and are quoted on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities that is not a national securities exchange, the liquidity and price of our securities may be more limited than if we were quoted or listed on Nasdaq or another national securities exchange. You may be unable to sell your securities unless a market can be established or sustained.

If securities or industry analysts do not publish or cease publishing research or reports about the Company, its business, or its market, or if they change their recommendations regarding the Ordinary Shares adversely, then the price and trading volume of the Ordinary Shares could decline.

The trading market for our Ordinary Shares will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market, or our competitors. Securities and industry analysts do not currently, and may never, publish research on the Company. If no securities or industry analysts commence coverage of the Company, our stock price and trading volume would likely be negatively impacted. If any of the analysts who may cover the Company change their recommendation regarding our stock adversely, or provide

more favorable relative recommendations about our competitors, the price of our Ordinary Shares would likely decline. If any analyst who may cover the Company were to cease coverage or fail to regularly publish reports on it, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

Risks related to the business and operations of the Company

We are a company with a relatively limited operating history, which may result in increased risks, uncertainties, expenses and difficulties, and it may be difficult to evaluate our future prospects.

Our limited operating history may make it difficult to make accurate predictions about our future performance. Assessing our business and future prospects may also be difficult because of the risks and difficulties we face. These risks and difficulties include our ability to:

- enter into new relationships and maintain existing relationships with clients and business partners;
- maintain cost-effective access to capital;
- expand the use and applicability of our technology;
- successfully build our brand and protect our reputation from negative publicity;
- successfully adjust our proprietary technology, products and services in a timely manner in response to changing market conditions;
- successfully compete with companies that are currently in, or may in the future enter, the business of providing traceability solutions;
- enter into new markets and introduce new products and services based on our technology;
- comply with and successfully adapt to complex and evolving legal and regulatory environments in our existing markets and ones we may enter in the future;
- attract, integrate and retain qualified employees and independent contractors; and
- effectively manage, scale and expand the capabilities of our teams, outsourcing relationships, third-party service providers, operating infrastructure and other business operations.

If we are not able to timely and effectively address these risks and difficulties as well as those described elsewhere in this “*Risk Factors*” section, our business, financial condition and results of operations may be adversely affected.

If we fail to effectively manage our growth, our business, financial condition, and results of operations could be adversely affected.

Our ability to manage our growth effectively, integrate new employees, independent contractors and technologies into our existing business and attract new business partners and maintain relationships with existing business partners will require us to continue to retain, attract, train, motivate and manage employees and independent contractors and expand our operational, technological and financial infrastructure. Continued growth could strain our ability to develop and improve our operational, technological, financial and management controls, reporting systems and procedures, recruit, train and retain highly skilled personnel and maintain business partners’ and their customers’ satisfaction.

We may not have sufficient manufacturing capabilities for our markers and readers to satisfy demand for our products, including due to the Eastern-European issues, world politics, tariff issues, post-COVID-19 related issues, international freight issues, costs of goods and other external financial or political issues. We may be unable to control the availability or cost of producing such products.

Our current manufacturing capabilities may not reach the required production levels necessary in order to meet growing demands for any products we may commission or future products we may develop. There can be no assurance that our commissioned products can be manufactured at the desired commercial quantities, in compliance with our requirements and at an acceptable cost. Any such failure could delay or prevent us from shipping said products and marketing the technologies in accordance with our target growth strategies.

While we were able to date to find new employees, when required, Israeli (and other) high-tech employment atmosphere (including lack of available professionals due to, *inter alia*, Israel's state of war) is making it harder and harder to find and retain new employees. Thus, risk exists that we will not be able to hire all the employees we seek to hire, in the timeframe required and anticipated, which may slow down our growth, cause increased costs and reduced profits or hinder our ability to duly and timely fulfill all tasks and growth plans.

We note that due to such employment atmosphere we may need to extend additional resources, including issuance of shares and options, and financial measures in order to create retention plans for key personnel.

Part of our products are in the field of sustainability and circular economy and part of our growth engine depends on policies regarding recycling of packaging, electronics, and metals and regulations demanding sustainability, promoting a circular economy and carbon-free environment. While we are not relying on such upcoming legislation or regulations, slow legislation or promulgation process and changes in priorities (including due to public health crises or on-going armed conflicts) may slow our growth. While sustainability source tracing is important for tracking and verifying environmentally-friendly products from their origin, another identified growth engine for the Company has been the demand for supply-chain security to trace products from origin and facilitate sanctions compliance.

Due to the fact that we aim our sales efforts at large international market-maker conglomerates, our sales cycle is relatively slow and there is a larger risk that at any time, due to many reasons that are beyond our control, the sales cycle will be broken and all efforts will be lost.

Any of the foregoing factors could negatively affect our business, financial condition and results of operations.

If the Isorad License Agreement is terminated, our business, financial condition and results of operations may be harmed.

In January 2015, SMX Security Matters Ltd. (Israel Corporate Number 515125771) ("SMX Israel") entered a license agreement with Isorad Ltd ("Isorad"), a company wholly owned by the State of Israel with rights to exclusively commercialize certain technology for civilian uses owned by the Soreq Nuclear Research Center, an Israeli government research and development institute for nuclear and photonic technologies under the Israeli Atomic Energy Commission ("Soreq"), to license the initial technology of tracking and tracing materials by observing and identifying markers ("Source IP") and commercialize and develop the technology further ("Isorad License Agreement"). Under the Isorad License Agreement, the Source IP can be utilized in almost any industry and with any product. The Source IP has been the cornerstone for our technological developments. Since entering into the Isorad License Agreement, we have over a hundred patent applications worldwide in various stages of approval (most of which are unrelated and novel to the Source IP).

Specifically as to Yahalom Technologies Inc. (Canada) ("Yahalom"), the royalty rate on gross sales of Yahalom, to be paid by Yahalom, are 4.2% (and not 2.2% that applies solely to Security Matters PTY Limited, an Australian company ("Security Matters PTY"), its other affiliates and to other sublicensees). Upon the occurrence of an M&A event (as such event is defined in such agreement to include mergers, sale of all or substantially all the assets of Yahalom and similar event), Isorad is entitled to a fee equal to 1% of the total consideration paid to, received by, or distributed to, Yahalom and/or its shareholders and/or its affiliates in connection with the event, including, without limitation, all cash, securities or other property which is received by Yahalom and/or its shareholders in connection with such event of two such events (i.e. twice) at its choice.

The Isorad License Agreement will continue in full force and effect in perpetuity unless terminated. If either party does not remedy a material breach of its obligations within 180 days of notice of the material breach, the non-defaulting party may terminate the Isorad License Agreement immediately. Isorad may terminate the agreement by providing 30 days prior written notice if the royalties payable to Isorad are nil in any semi-annual report or if we breach other certain obligations (such as a failure to maintain a patent or patent application in the previous semi-annual review period). If the Isorad License Agreement is terminated, our business, financial condition and results of operations may be harmed.

If we fail to penetrate the full value chain manufacturing eco-system effectively, our business, financial condition, and results of operations could be adversely affected.

Value based pricing may be necessary to enable roll-out across clients, creating challenges in full value capture and effective customer segmentation. Some end-markets (e.g. plastics) require high levels of penetration to support our full value proposition. A broad range of potential end-markets and clients with different value propositions and price sensitivities will require a substantial, high performing, commercial organization.

In order to maintain continuous growth there is a need to onboard more and more players from different parts of the value chain manufacturing eco-system with the final view of covering all links in the value chain manufacturing eco-system. This may be time and cost consuming and will require funding and personnel and we may not be able to achieve the full value chain penetration due to failure to attain funding or personnel or due to external circumstances, which may hinder our growth.

Pandemics, public health crises, and/or lingering effects from the COVID-19 pandemic could adversely affect our business, financial condition, liquidity and results of operations.

Pandemics, public health crises, and/or lingering effects from the COVID-19 pandemic could result in a widespread health crises that adversely affect businesses, economies and financial markets worldwide, placing constraints on the operations of businesses, decreasing consumer mobility and activity, and causing significant economic volatility in the United States, Ireland, Israel, Australia, Singapore, and international capital markets. We have followed and will continue to follow guidance issued from time to time by the Irish, Australian and Israeli governments and the other local governments in territories in which we operate to protect our employees from such health crises, as we did during the height of the COVID-19 pandemic. When appropriate, we may implement work from home where possible, minimize face-to-face meetings and utilize video conference as much as possible and adhere to social distancing rules at our facilities while eliminating international travel, and other such measures as authorities may require. As a result, we may experience some difficulties in employee ability to efficiently collaborate to meet our customer needs, a difficulty in our efforts to recruit and hire qualified personnel during this time. For example, as a result of the COVID-19 pandemic, we recorded a minor decrease in expected growth in 2020 and 2021, both due to the lockdown and restrictions, and our customers postponing or being hesitant of making future financial, or other, commitments due to the need to put response to COVID-19 at the forefront. Similarly, customers may postpone or be hesitant in making future financial, or other commitments, due to a future pandemic or public health crisis. Although many of these limitations have been lifted as the COVID-19 pandemic has receded, some of the resulting difficulties have remained in varying degrees and we cannot predict future limitations by other pandemics or public health crises.

We cannot predict the other future potential, direct or indirect, lingering impacts of the COVID-19 pandemic, future pandemics, and/or future public health crises on our business or operations. Future pandemics, future public health crises, or additional waves of infections, or any further lingering adverse impacts caused by the COVID-19 pandemic could further impact employment rates, supply chains, priorities and the economy, affecting our customer base and divert customers' discretionary spend to other uses, including for essential items. These events could impact our cash flows, results of operations and financial conditions and heighten many of the other risks described in this Annual Report on Form 20-F.

Our operations in foreign jurisdictions will subject us to risks associated with operating in those jurisdictions and may adversely affect our business, cash flows, financial condition and results of operations.

As we operate in foreign jurisdictions (such as Ireland, Israel, Australia, Singapore, France and Canada), we will be subject to those risks associated with operating in foreign jurisdictions. Such risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of laws affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, licensing, repatriation of income or return of capital, consumer health and safety or labor relations. While the jurisdictions in which we currently operate are 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 our operations and profitability. There is a risk that the government of any such jurisdiction may change its policies regarding foreign investment, apply new or different taxes and levies, or make any other change which may have an adverse impact on our profitability. See the risk factors under *"Risks Related to Our Operations in Israel."*

Prior to the Russian-Ukrainian dispute, Security Matters PTY was cooperating with a Ukrainian entity in cooperation with its activities in Israel and European entities for research and development for its readers. Security Matters PTY was also reviewing potential relationships with entities in Russia, Belarus and Ukraine. As a result of the dispute, Security Matters PTY put on hold its research and development in Ukraine while continuing its research and development activity in Israel and with European entities and undertook no business relationships with parties in those regions. Since the on-going armed conflict, Security Matters PTY has shifted its Eastern European operations to Prague, Czechia (Czech Republic). It is yet unknown what other effects such dispute may have on other jurisdictions, mainly in Europe, and any such effect might affect our business and growth. We cannot predict the other future potential impacts of the dispute on our business or operations, especially if such dispute becomes more than a regional event. These events could impact our cash flows, business, results of operations and financial condition and heighten many of the other risks described in this Annual Report on Form 20-F.

Moreover, events may occur within or outside the jurisdictions in which we operate that could impact those economies, our operations and the price of the Ordinary Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, cyberattacks, fires, floods, earthquakes, labor strikes, civil wars, natural disasters, outbreaks of disease or other natural or manmade events or occurrences that can have an adverse effect on the demand for our products and our ability to conduct business. While we seek to maintain insurance in accordance with industry practice to insure against the risks we consider appropriate after consideration of our needs and circumstances, no assurance can be given as to our ability to obtain such insurance coverage in the future at reasonable rates or that any coverage arranged will be adequate and available to cover any and all potential claims. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to successfully identify and integrate acquisitions, our results of operations could be adversely affected.

Acquisitions may be a significant component of our growth strategy and from time to time we may seek to identify and complete acquisitions. Our future acquisitions may not be successful or may not generate the financial benefits that we expected we would achieve at the time of acquisition. In addition, there can be no assurance that we will be able to locate suitable acquisition candidates in the future or acquire them on acceptable terms or, because of competition in the marketplace. Acquisitions involve special risks, including, without limitation, the potential assumption of unanticipated liabilities and contingencies, difficulty in assimilating the operations and personnel of the acquired businesses, disruption of our existing business, dissipation of our limited management resources and impairment of relationships with employees and customers of the acquired business as a result of changes in ownership. While we believe that strategic acquisitions can improve our competitiveness and profitability, these activities could have a material adverse effect on our business, financial condition and operating results.

We may incur significant costs such as transaction fees, professional service fees and other costs related to future acquisitions. We may also incur integration costs following the completion of any such acquisitions as we integrate the acquired business with the rest of our Company. Although we expect that the realization of efficiencies related to the integration of any acquired businesses will offset the incremental transaction and acquisition-related costs over time, this net financial benefit may not be achieved in the near term, or at all.

The industry in which we operate is competitive, and if we fail to compete effectively, we could experience price reductions, reduced margins or loss of revenues.

Generally, the track and trace and anti-counterfeit industry in which we operate is subject to global and domestic competition. We are unable to influence or control the conduct of our competitors and such conduct may detrimentally affect our financial and operating performance. There are several competitors that operate in the anti-counterfeit and track-and-trace industries and if new competitors enter the market, or established companies develop new products and technologies that are superior to our current technology, our ability to exploit any technological advantage successfully may be affected. We may be unable to develop further products or keep pace with developments and may lose clients to competitors. If our competitors develop a more efficient business model or undertake a more aggressive marketing campaign, this is likely to affect our marketing strategies and results of operations adversely.

There is no guarantee that customers will adopt our products and we 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 customers.

Our continued growth, including our ability to manage our operations and meet our strategic objectives, depends on retaining our current employees upon whom we are dependent and attracting and retaining qualified personnel, and we may not be able to do so at a rate that will enable us to stand up to our expected growth or cope with specific demands that may arise.

Our success depends to a large extent upon the skills and experience of our executive officers, including our Chief Executive Officer, Haggai Alon, management and sales, marketing, operations and scientific staff. We may not be able to attract or retain qualified employees due to the intense competition for qualified personnel in the technology industry, as well as to geographic considerations, our ability to offer competitive compensation and benefits, and other reasons.

If we are not able to attract and retain the necessary qualified personnel to manage our operations and accomplish our business objectives, we may experience constraints that will adversely affect our ability to manufacture, sell and market our products or to support research and development programs effectively.

SMX Israel has entered into an employment contract with Haggai Alon, its founder and Chief Executive Officer, and Zeren Browne. Due to the specific knowledge and experience of Mr. Alon regarding the industry, technology and market generally and to our company specifically, the loss of the services of Mr. Alon could have a material adverse effect on us. We have not obtained a key person insurance policy on any officer.

Although our employment agreements contain non-compete clauses, Israeli law does not fully enforce employees' non-compete obligations and may limit their application, including with regard to duration and scope.

Under Israeli case law an Israeli Court will usually only enforce non-compete provisions if the employee received specific consideration for it. While all of our employment agreements include specific provisions stipulating that special consideration was paid for the non-compete provision, a risk always exists that a Court will not enforce such.

We may not be able to anticipate or adapt to consumer preferences which may have an adverse effect on our business, cash flows, financial condition and results of operations.

Our success depends on our ability to develop and commercialize our technology. A failure to successfully develop and commercialize our technology could lead to a loss of opportunities and adversely impact on our business, cash flows, financial condition and results of operations.

The global market for our technology is ever changing due to new technologies, new products, changes in regulations and other factors influencing market acceptance or market rejection of our technologies. This market volatility and risks exists despite our best efforts in relation to market research, promotion and sales efforts.

Our business is dependent on consumer awareness and market acceptance of our products. We may not be able to anticipate and react to trends within the industries we target 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 our future revenues and performance. Although we have striven to establish market recognition for our products in the relevant industry, it is too early in the life cycle of our brand to determine whether markers, readers, blockchain technology and any further technology developed by us will achieve and maintain satisfactory levels of acceptance and sustained adoption by manufacturers and consumers. Our technology may not be accepted by the market or used in our proposed markets and industries. We may not be able to commercialize our products, which could adversely impact on business, cash flows, financial condition and results of operations.

We may not be able to adapt our markers to the needs of any customer or field which may have an adverse effect on our business, cash flows, financial condition and results of operations.

Research and development tailoring costs are required to adapt marker and scanning technology to different materials and industrial/commercial environments, potentially increasing the cost and time to market as we scale across customers and verticals. If we are unable to adapt our markers to the needs of any customer or field due to the costs of doing so, our business, cash flows, financial condition and results of operations could be adversely affected.

We will need in the future to raise additional funds, inter alia, by equity, debt, or convertible debt financings, to fund our day to day operations and to support our growth, and those funds may be unavailable on acceptable terms, or at all. As a result, we may be unable to meet our future capital needs, which may limit our ability to grow and jeopardize our ability to continue our business, and there is substantial doubt regarding our ability to continue as a going concern.

We plan to continue to make investments to support our growth and will require additional funds to respond to business challenges that may arise, including the need to develop new products and services, enhance our technology, scale and improve our operating infrastructure, or acquire complementary businesses and technologies. Accordingly, we will need to engage in equity, debt or convertible debt financings to secure additional funds. We have also used our Ordinary Shares as currency to satisfy existing indebtedness. In raising additional funds by the issuance of equity securities or securities convertible into equity securities, or the issuance of our securities to satisfy indebtedness, our shareholders have been and may in the future experience substantial dilution. Additionally, as the Company has elected to follow home country practice in lieu of the requirements under Nasdaq Rule 5635(d), the Company does not seek shareholder approval in connection with certain sales, issuances and potential issuances of its securities, even if such issuances would equal 20% or more of the Company's Ordinary Shares or voting power outstanding before the issuance. This has resulted in substantial dilution to the Company's shareholders from time to time in the past, and may continue to do so in the future. Debt financing, such as credit facilities or corporate bonds, may involve covenants restricting our operations or our ability to incur additional debt. Debt financing may also require security arrangements including cash collateral agreements that restrict the availability of cash held as collateral which is the case for amounts we may borrow in the future. In addition, future equity financing or replacement or refinancing of any debt financings may not be available on terms favorable to us, or at all, and the fact that debt holders are repaid first may reduce our ability to raise a later equity financing and may limit the ability to distribute dividends.

We are generating negative cash flow and requiring constant and immediate cash injections to continue to operate. We face significant uncertainty regarding the adequacy of our liquidity and capital resources and our ability to repay our obligations as they become due in cash. We are currently negotiating with certain of our debt holders and others we owe money to, to extend the term of their notes or other payment obligations and/or to convert some or all of such liabilities into our ordinary shares. However, there can be no assurance that our discussions will be successful. We expect to be able to obtain additional sources of debt and equity financing. However, such opportunities remain uncertain and are predicated upon events and circumstances which are outside the Company's control.

If we are unable to obtain adequate financing or financing at terms satisfactory to us when we require it, we may be unable to pursue certain business opportunities, supply proper service to our customers, and our ability to continue to support our business growth and the then current business and to respond to business challenges may be impaired and our business may be harmed. As a result of the foregoing and our current cash position, these conditions raise substantial doubt about our ability to continue as a going concern. Our financial statements for the year ended December 31, 2024 contain an explanatory paragraph regarding the substantial doubt about our ability to continue as a going concern. This going concern assessment may prevent us from obtaining new financing on reasonable terms, if at all, and imperil our ability to continue operating as a going concern.

Legal proceedings, investigations or claims against us may be costly and time-consuming to defend and may harm our reputation and damage our business regardless of the outcome. In addition, our business and operations could be negatively affected if they become subject to any securities litigation or shareholder activism, which could cause us to incur significant expense, hinder execution of business and growth strategy and impact our share price.

On January 12, 2024, the Company announced that it entered into a \$5 million contract with R&I Trading of New York (“R&I Trading”). The intention of the agreement with R&I Trading was to provide a service on supply chain management to a NATO member state. Subsequent to June 30, 2024, R&I Trading sent a termination notice to the Company and a demand for arbitration with respect to disputed payment amounts under the contract. The Company believes the termination of the contract is unlawful and has demanded that R&I Trading honor its obligations under the contract. The Company further intends to defend any action, if and when commenced, vigorously.

The Company is currently engaged in an arbitration process with R&I Trading. The statements of claim by the parties to the arbitration proceedings were filed on January 6, 2025. R&I Trading’s statement of claim demands full restitution of the amounts paid by it under the agreement. The Company’s statement of claim alleges that R&I Trading breached the agreement and has requested the arbitrator to grant relief for the division of remedies in the event that the Company is presented with further expenses by suppliers and employees that have not yet been included in its damage estimate. The Company also raised claims regarding loss of opportunities and requested declaratory relief in favor of the Company.

Prior to filing the statement of claim, on December 26, 2024, the Company filed a motion for declaratory relief. On January 9, 2025, R&I Trading responded to the motion. The Company had until January 23, 2025 to submit reply papers in connection with this motion practice.

On March 6, 2025, the parties filed a request for the approval of a mutual procedural arrangement, under which, among other things, R&I Trading will file an affidavit stating that it is not using the Company’s IP rights and has no intention of violating the Company’s IP rights; the Company will withdraw the motion for a declaration and amend its statement of claim accordingly by March 30, 2025; the statements of defense will be filed by April 21, 2025; and the statements of reply will be filed by May 12, 2025.

On March 7, 2025, the arbitrator approved the request, and on March 23, 2025, R&I Trading filed its affidavit. On May 11, 2025, the parties filed their statements of defense. At this preliminary stage, it is not possible to assess the chances of the Company’s claim and the outcome of the arbitration proceedings.

The Company is not otherwise aware of any additional risks of litigation against us, but we may be involved in further or additional litigation disputes with third parties including suppliers, customers, employees, former employees and government bodies in the ordinary course of business. In the ordinary course of business, we may be named as a defendant in various legal actions, including litigation or regulatory enforcement actions. All such legal actions are inherently unpredictable and, regardless of the merits of the claims, are often expensive, time-consuming, disruptive to our operations and resources, and distracting to management. The occurrence of a litigation dispute may impact our reputation which may have a material adverse effect on our business, cash flows, financial condition and results of operations. Insurance might not cover such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims and might not continue to be available at terms acceptable to us. A claim brought against us for which we are uninsured or underinsured could result in unanticipated costs, potentially harming our business, cash flows, financial position and results of operations.

Although not a director of that entity, Mr. Alon previously worked as the deputy general manager for business development of an Israeli public company, Plat Technologies International Ltd (“Plat”) which entered insolvency. In early 2017, an ILS 35.9 million shareholders claim was filed by the appointed court officers at the end of the seven year statute of limitation period against 18 defendants, including Mr. Alon, regarding the collapse of Plat (the “Plat Claim”). The insurance policy covering directors and officers responded and are now handling the Plat Claim. Mr. Alon denies any wrongdoing and does not consider that he will be required to commit any significant time to the conduct of the Plat Claim and therefore will not constrain his ability to perform his duties and obligations to the Company. The parties agreed to try and amicably resolve the dispute in mediation under which the insurance company agreed to consider taking upon itself any compensation as to the liability of Mr. Alon, if any, in such mediation proceedings. We are not a party to the Plat Claim and the Plat Claim does not relate to the business or the affairs of the Company.

Our markers may contaminate or spoil the raw material into which our marker is inserted, which could damage our reputation, subject us to product liability claims and result in a loss of revenue.

While we follow production protocols and conduct quality assurance tests, our markers may contaminate the raw material or certain raw material ingredients may be spoiled, contaminated by chemicals, microorganisms or toxins, or include foreign materials or substances prior to or during the use of our markers. The risk of contamination may lead to product recalls or other interventions, which may cause serious damage to our reputation as a marking solution which does not affect the characteristics of the materials or products, or result in product liability claims and loss of revenue.

Our markers may include hazardous materials which may put customers, employees and other parties in our supply chain at risk. If any person is harmed by hazardous materials in our markers, our reputation could be damaged and we could be subject to litigation which may adversely affect our business, cash flows, financial position and results of operations.

The markers used by us are produced from materials chosen specifically for a specific application. Markers may, in some cases, include low concentrations of materials that may be deemed hazardous materials and the production of the markers by our employees can include dealing with hazardous materials. While manufacturing is conducted according to the material's Material Safety Data Sheets (MSDS) and other relevant safety guidelines, a risk of health, even if minimal, may arise. While the hazardous materials are sent to the customers at a low concentration (of the marker), the risk of misuse or error in production may cause damage to our employees or customers, which may affect our expenses and production abilities. While we take safety provisions with respect to the hazardous materials used in our markers, these safety precautions may not be sufficient to prevent harm to our employees or customers from the production of or use of, respectively, our markers. While we are 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, such safety provisions may not be sufficient to prevent human error or other causes of damage.

Our readers use x-rays and may be of danger if tampered with or otherwise not used in accordance with the user manual and safety rules.

Although we supply customers with strict instructions for the use of our readers, and although we take measures to avoid misuse of the readers and minimize the risk of damage from misuse of the readers, users and others may suffer damage from not following such user instructions and may seek legal actions against us, even if such users or others are at fault.

We may not be able to procure adequate insurance and any insurance we have or may have may not be of sufficient coverage

We and our subsidiaries seek to maintain appropriate policies of insurance consistent with those customarily carried by organizations in our industry sector, including product insurance, as well as cyber-risk and privacy-risk insurance. Any increase in the cost of insurance policies or the industry in which they operate could adversely affect our business, cash flows, financial condition and results of operations. Our insurance coverage may also be inadequate to cover losses we may sustain and the insurance company may refuse to provide coverage or demand excessive payment for such coverage. In particular, our insurance does not extend to any potential liability or claims made against us under our agreement with Isorad. Uninsured loss or a loss in excess of our insured limits could adversely affect our business, cash flows, financial condition and results of operations.

Our risk management policies and procedures, and those of our third-party vendors upon which we rely, may not be fully effective in identifying or mitigating risk exposure. If our policies and procedures do not adequately protect us from exposure to these risks, we may incur losses that would adversely affect our financial condition, reputation and market share.

We have developed risk management policies and procedures and we continue to refine such as we conduct our business. Our policies and procedures are meant to identify, monitor and manage risks may not be fully effective in mitigating our risk exposure. Further, as we are a research and development ("R&D") company and expand into new fields of business, our risk management policies and procedures may not be able to keep up with our current rapid rate of expansion adequately, and may not be adequate or sufficient to mitigate risks. Moreover, we are subject to the risks of errors and misconduct, including by our officers, employees and independent contractors, including fraud and non-compliance with policies. These risks are difficult to detect in advance and prevent or avoid, and could harm our business, results of operations or financial condition. Although we seek to maintain insurance and use other traditional risk-shifting tools when possible, such as third-party indemnification, where possible, to manage certain exposures, they are subject to terms such as deductibles, coinsurance, limits and policy exclusions, as well as risk of counterparty denial of coverage, default or insolvency. If our policies and procedures do not adequately protect us from exposure, and our exposure is not adequately covered by insurance or other risk-shifting tools, we may incur losses that would adversely affect our business, cash flows, financial condition and results of operations.

Risks Related to Technology, Intellectual Property and Data

We may be unable to, and it may be difficult and costly to, obtain, maintain, protect, or enforce our intellectual property and other proprietary rights sufficiently.

Our ability to operate our businesses depends, in part, upon our proprietary technology. We may be unable to protect our proprietary technology effectively, which would allow competitors to duplicate our technology and adversely affect our ability to compete with them.

We have over a hundred patents at various stages of the application process. While we are not aware of any such patent applications or the technology infringing any third party's patents, we have not undertaken an exhaustive assessment of existing patents to determine any overlapping technology or potential infringement, and we do not conduct a freedom to operate search or any other exhaustive search of patents that may limit our ability to supply solutions to specific customers or fields, as the costs of such would be prohibitive. Accordingly, there is a risk that a third party may claim that any patent application infringes that third party's patent. Any event that would jeopardize our proprietary rights or any claims of infringement by third parties could have an adverse effect on our ability to market or exploit our technology.

There is no guarantee that our proposed patents that are the subject of the patent applications filed by us will provide adequate protection for our intellectual property, or that third parties will not infringe or misappropriate the patents or similar proprietary rights. In addition, there can be no assurance that we will not have to pursue litigation against other parties to assert our rights. There is no guarantee that any of the patents that have been applied for will be granted. If some or all of the patent applications are not granted, our ability to exploit our technology may be materially adversely affected.

If third parties claim that we infringe upon or otherwise violate their intellectual property rights, our business could be adversely affected.

Although we are not aware of any infringement on the rights of third parties, we may in the future be subject to claims that we have infringed or otherwise violated third parties' intellectual property rights. There is patent, copyright, and other intellectual property development and enforcement activity in our industry and relating to the advanced technology we use in our business. Our future success depends in part on not infringing upon or otherwise violating the intellectual property rights of others. From time to time, our competitors or other third parties (including non-practicing entities and patent holding companies) may contend that we are infringing upon or otherwise violating their intellectual property rights, or attack our pending or approved patents, and we may be found to be infringing upon or otherwise violating such rights or otherwise in legal claims regarding patents or other intellectual property rights. We may be unaware of the intellectual property rights of others that may cover some or all of our current or future technology or conflict with our rights, and the patent and other intellectual property rights of others may limit our ability to improve our technology and compete effectively. Any claims of intellectual property infringement or other intellectual property violations, even those without merit, could cause the incurrence of costs and other direct, or indirect, damage to us, including:

- be expensive and time consuming to defend;
- cause us to cease making, licensing, or using any of our products that incorporate the challenged intellectual property;
- require us to modify, redesign, reengineer or rebrand our products, if feasible;
- damage our reputation;

- hinder our ability to market or sell our products and services;
- affect negotiations or executed agreements;
- cause increase to our insurance policies premium or refusal of insurance companies to insure us;
- divert management's attention and resources; or
- require us to enter into royalty or licensing agreements to obtain the right to use a third-party's intellectual property.

Any royalty or licensing agreements, if required, may not be available to us on acceptable terms or at all. A successful claim of infringement against us could result in our being required to pay significant damages, enter into costly settlement agreements, or prevent us from offering our solutions, any of which could have a negative impact on our operating profits and harm our future prospects. We may also be obligated to indemnify our customers or business partners in connection with any such litigation and to obtain licenses, modify our solutions, or refund fees, which could further exhaust our resources. Such disputes could also disrupt our solutions, adversely affecting our customer satisfaction and ability to attract customers.

Under applicable employment laws, we may not be able to enforce covenants not to compete.

As part of our employment agreements with our employees we have confidentiality obligations. These agreements generally prohibit our employees, if they cease working for us, from competing directly with us or working for our competitors for a limited period. We may be unable to enforce these agreements under the laws of the jurisdictions in which our employees work and it may be difficult for us to restrict our competitors from benefitting from the expertise our former employees or consultants developed while working for us. For example, Israeli labor Courts have required employers seeking to enforce non-compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer which have been recognized by the courts, such as the protection of a company's trade secrets or other proprietary knowhow.

Risks Related to Our Legal and Regulatory Environment

Changes in laws, regulations and standards and failure to comply with laws, regulations and standards may adversely affect our financial and operating performance and profitability.

Any changes to the existing regulatory framework or the imposition of new legislation or regulations applicable to any of the industries in which the Company operates may adversely affect the financial and operating performance of the Company. This risk factor applies to government policy and legislative changes in the United States, Canada, Australia, Israel, Ireland, Singapore, as well as the other jurisdictions in which we currently operate, or will operate in the future, or jurisdictions in which our current or future customers may operate.

Additionally, while we currently do not anticipate this, as the markers used in materials or products are of minuscule quantities, the markers may in the future be required to comply with health and safety laws in certain jurisdictions, and failure to comply with such laws may lead to penalties and other liabilities being imposed on us. In such circumstances, we may be required to suspend production or cease operations, which may lead to a materially adverse effect on our financial performance and profitability.

While we are not aware of any regulation or similar restriction that currently materially limits our ability to use our markers, such regulation or similar restriction may in the future limit our ability to sell our products and may require us either to avoid marking certain material or require us to disclose data to certain entities for certification process that may be required in order for us to use our markers.

The readers use X-range ray technology, which may thus require in certain jurisdictions specific authorization in order to import, manufacture or use such readers. Such authorization process in each such jurisdiction may be time and resources consuming, but may also limit the ability of users to use the readers without proper qualifications, as well as may require, in certain jurisdictions the supervision of such use.

Obligations and changes in laws or regulations relating to privacy, cybersecurity, and data protection, or any actual or deemed failure by us to comply with such laws and regulations that could adversely affect our business.

We receive, collect, use, disclose, transmit, and store information, including certain sensitive data, relating to our customers and employees. Our collection and processing of such data in our business may subject us to certain state, federal, and international laws and regulations relating to privacy, cybersecurity, and data protection. These laws, rules, and regulations evolve frequently and their scope may continually change through new legislation, amendments to existing legislation, and changes in interpretation or enforcement, and may be inconsistent from one jurisdiction to another.

Changes in laws or regulations relating to privacy, cybersecurity, and data protection, particularly any new or modified laws or regulations that require enhanced protection of certain types of data or new obligations with regard to data retention, transfer, or disclosure, could greatly increase the cost of our operations or prevent us from providing certain services. Complying with these requirements through changing our policies and practices may be onerous and costly. These changes may in turn impair our ability to offer our existing or planned products and services or increase our cost of doing business. Further, we may become subject to privacy and data security laws from jurisdictions outside of our standard business operations in. Despite our efforts to comply with any applicable laws, regulations, and other obligations relating to privacy, cybersecurity, and data protection, it is possible that our interpretations of the law, practices, or our network could be inconsistent with, or fail or be alleged to fail to meet all requirements of, such laws, regulations, or obligations. Our failure, or the failure by our business partners or customers using our services to comply with applicable laws or regulations or any other obligations relating to privacy, cybersecurity, and data protection or any compromise of security that results in unauthorized access to, or use or release of personal information or other data relating to consumers or other individuals, or the perception that any of the foregoing types of failure or compromise has occurred, could damage our reputation, discourage new and existing business partners and customers from working with us, or result in fines, investigations, or proceedings by governmental agencies and private claims and litigation, any of which could adversely affect our business, cash flows, financial condition, and results of operations. Even if not subject to legal challenge, the perception of privacy concerns, whether or not valid, may harm our reputation and brand and adversely affect our business, cash flows, financial condition, and results of operations.

We invest significant resources in information technology protection and security measures. If these measures are targeted or breached, we may incur significant legal and financial exposure as a result of ransomware, loss of information, and related litigation. Moreover, we hold data of our employees and customers and we invest significant resources in information technology protection and security measures to ensure that such data is safe. If these measures are targeted or breached, we may incur significant reputational damage and related legal and financial exposure.

Risks Related to Our Operations in Israel

Conditions in Israel and relations between Israel and other countries could adversely affect our business.

Certain of our offices and R&D facilities are located in Israel. Accordingly, political, economic and military conditions in Israel and the surrounding region directly affect our business and operations and could materially and adversely affect our ability to continue to operate from Israel. Recently, for example, the current political situation in Israel where the ruling parties are attempting to implement laws that essentially allow the parliament to enact laws that are preemptively immune to judicial review could adversely affect our business and results of operations. In addition, since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its Arab neighbors. In the event that our facilities are damaged as a result of hostile action or hostilities otherwise disrupt the ongoing operation of our facilities, our ability to continue our operations could be materially adversely affected.

In recent years, and most recently restarting in October 2023 Israel has been engaged in sporadic armed conflicts with terrorist groups, including those that control the Gaza Strip and other regions close to Israel. In addition, Iran and Yemen have threatened to attack, and have attacked, Israel and may be developing nuclear weapons. Some of these hostilities were accompanied by missiles being fired from the Gaza Strip, Lebanon, Syria, Yemen and Iran against civilian targets in various parts of Israel, including areas in which our employees and independent contractors are located, which negatively affected business conditions in Israel. Any hostilities involving Israel, regional political instability or the interruption or curtailment of trade between Israel and its trading partners could materially and adversely affect our operations and results of operations.

Our commercial insurance does not cover losses that may occur as a result of events associated with war and terrorism. Although the Israeli government currently covers the reinstatement value of property damage and certain direct and indirect damages that are caused by terrorist attacks or acts of war, such coverage would likely be limited, may not be applicable to our business (either due to the geographic location of our offices or the type of business that we operate) and may not reinstate our loss of revenue or economic losses more generally. Furthermore, we cannot assure that this government coverage will be maintained or that it will sufficiently cover our potential damages, or whether such coverage would be timely provided. Any losses or damages incurred by us could have a material adverse effect on our business, cash flows, financial condition and results of operations.

Further, in the past, the State of Israel and Israeli companies have been subjected to economic boycotts and Israeli legal reforms initiatives may cause countries to limit activities with Israel or otherwise apply certain restrictions, or may otherwise adversely affect our activities. Several countries still restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel or political instability in the region continues or increases. These restrictive laws and policies, or significant downturn in the economic or financial condition of Israel, could materially and adversely affect our operations and product development, and could cause our sales to decrease.

A large concentration of our staff resides in Israel and many of our employees and independent contractors in Israel are required to perform military reserve duty, which may disrupt their work for us.

Many of our employees and independent contractors, including certain of our founders and certain members of our management team, operate from our headquarters that are located in central Israel. In addition, a number of our officers and directors are residents of Israel. Accordingly, political, economic and military conditions in Israel and the surrounding region may directly affect our business and operations.

In addition, many Israeli citizens are obligated to perform several days, and in some cases more, of annual military reserve duty each year until they reach the age of 40 (or older, for reservists who are military officers or who have certain occupations) and, in the event of a military conflict, may be called to active duty. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists, including since October 7, 2023. It is possible that there will be additional and continued military reserve duty call-ups in the future. Our operations could be disrupted by such call-ups, particularly if such call-ups include the call-up of members of our management, including Mr. Alon, our Chief Executive Officer, and given the current shortage of talent in Israel due to the recent acceleration of activity in startups, especially in the technology space. Such disruption could materially and adversely affect our business, financial condition and results of operations.

Risks Related to Tax

The enactment of legislation implementing changes in taxation of international business activities, the adoption of other corporate tax reform policies, or changes in tax legislation or policies could impact the Company's future financial position and results of operations.

Corporate tax reform, base-erosion efforts and tax transparency continue to be high priorities in many tax jurisdictions where we have business operations. As a result, policies regarding corporate income and other taxes in numerous jurisdictions are under heightened scrutiny and tax reform legislation is being proposed or enacted in a number of jurisdictions.

In 2015, the Organization for Economic Co-operation and Development (the “OECD”) published final recommendations on base erosion and profit shifting (“BEPS”). These recommendations proposed the development of rules directed at counteracting the effects of tax havens and preferential tax regimes in countries around the world. Several of the areas of tax law on which the BEPS project focused have led or will lead to changes in the domestic law of individual OECD jurisdictions. These changes include (amongst others) restrictions on interest and other deductions for tax purposes, the introduction of broad anti-hybrid regimes and reform of controlled foreign corporation rules. Changes are also expected to arise in the application of certain double tax treaties, which may restrict the ability of certain members of the Company to rely on the terms of relevant double tax treaties in certain circumstances.

Changes of law in individual jurisdictions which may arise as a result of the BEPS project or other tax measures may ultimately increase the tax base of individual members of the Company in certain jurisdictions or the worldwide tax exposure of the Company. Changes of law may also include revisions to the definition of a “permanent establishment” and the rules for attributing profit to a permanent establishment. Other changes may focus on the goal of ensuring that transfer pricing outcomes are in line with value creation.

Such changes to tax laws could increase their complexity and the burden and costs of compliance. Additionally, such changes could also result in significant modifications to existing transfer pricing rules and could potentially have an adverse impact on the Company’s taxable profits in various jurisdictions.

U.S. holders that directly or indirectly own 10% or more of our equity interests may be subject to adverse U.S. federal income tax consequences under rules applicable to U.S. shareholders of “controlled foreign corporations.”

A non-U.S. corporation generally will be classified as a controlled foreign corporation for U.S. federal income tax purposes (a “CFC”), if “10% U.S. equityholders” (as defined below) own, directly, indirectly or constructively, more than 50% of either (i) the total combined voting power of all classes of stock of such corporation entitled to vote or (ii) the total value of the stock of such corporation. We do not believe that the Company would be classified as a CFC at the time of Closing, although CFC status is determined after taking into account complex constructive ownership rules and, accordingly, there can be no assurance in this regard. However, certain of the Company’s non-U.S. subsidiaries may be classified as CFCs (as a result of the application of certain constructive ownership rules which treat the Company’s U.S. subsidiaries as owning the equity of those non-U.S. subsidiaries), and it is possible that we may be classified as a CFC in the future. The U.S. federal income tax consequences for U.S. holders who at all times are not 10% U.S. equityholders would not be affected by the CFC rules. However, a U.S. holder that owns (or is treated as owning, directly, indirectly or constructively, including by applying certain attribution rules) 10% or more of the combined voting power of all classes of our stock entitled to vote or the total value of our equity interests (including equity interests attributable to a deemed exercise of options and convertible debt instruments), or a “10% U.S. equityholder,” if we were classified as a CFC, would generally be subject to current U.S. federal income taxation on a portion of our applicable subsidiaries’ earnings and profits (as determined for U.S. federal income tax purposes) and our earnings and profits, regardless of whether such 10% U.S. equityholder receives any actual distributions (with certain exceptions in the case of CFCs attributed through downward attribution). In addition, if we were classified as a CFC, a portion of any gains realized on the sale of our common shares by a 10% U.S. equityholder may be treated as ordinary income. A 10% U.S. equityholder will also be subject to additional U.S. federal income tax information reporting requirements with respect to our subsidiaries that are classified as CFCs and with respect to us (if we or any of our subsidiaries were classified as a CFC) and substantial penalties may be imposed for noncompliance. We cannot provide any assurances that the Company will assist U.S. holders in determining whether the Company or any of its subsidiaries are treated as a CFC for U.S. federal income tax purposes or whether any U.S. holder is treated as a 10% U.S. equityholder with respect to any of such CFC or furnish to any holder information that may be necessary to comply with reporting and tax paying obligations if the Company, or any of its subsidiaries, is treated as a CFC for U.S. federal income tax purposes. Each U.S. holder should consult its own tax advisor regarding the CFC rules and whether such U.S. holder may be a 10% U.S. equityholder for purposes of these rules.

There is a risk that we will be a passive foreign investment company for any taxable year, which could result in adverse U.S. federal income tax consequences to U.S. investors in our shares.

In general, a non-U.S. corporation is a passive foreign investment company, (“PFIC”), for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-U.S. corporation that owns at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes dividends, interest, rents, royalties and certain gains. Cash is a passive asset for these purposes.

Based on the expected composition of our income and assets and the value of our assets, including goodwill, we do not expect to be a PFIC for our current taxable year. However, the proper application of the PFIC rules to a company with a business such as ours is not entirely clear. Because the proper characterization of certain components of our income and assets is not entirely clear, because we will hold a substantial amount of cash following this offering, and because our PFIC status for any taxable year will depend on the composition of our income and assets and the value of our assets from time to time (which may be determined, in part, by reference to the market price of our shares, which could be volatile), there can be no assurance that we will not be a PFIC for our current taxable year or any future taxable year.

If we were a PFIC for any taxable year during which a U.S. investor holds shares, certain adverse U.S. federal income tax consequences could apply to such U.S. investor.

The Internal Revenue Service may not agree that the Company should be treated as a non-U.S. corporation for U.S. federal income tax purposes.

Although the Company is incorporated in Ireland, the Internal Revenue Service (“IRS”) may assert that it should be treated as a U.S. corporation (and therefore a U.S. tax resident) for U.S. federal income tax purposes pursuant to Section 7874 of the Internal Revenue Code of 1986, as amended (the “Code”). For U.S. federal income tax purposes, a corporation is generally considered a U.S. “domestic” corporation (or U.S. tax resident) if it is organized in the United States, and a corporation is generally considered a “foreign” corporation (or non-U.S. tax resident) if it is not a U.S. corporation. Because the Company is an entity incorporated in Ireland, it would generally be classified as a foreign corporation (or non-U.S. tax resident) under these rules. Section 7874 of the Code provides an exception under which a foreign incorporated and foreign tax resident entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal income tax purposes.

The Company is not currently expected to be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the Code. However, the application of Section 7874 of the Code is complex and is subject to detailed regulations (the application of which is uncertain in various respects and would be impacted by changes in such U.S. Treasury Regulations with possible retroactive effect) and is subject to certain factual uncertainties. Accordingly, there can be no assurance that the IRS will not challenge the status of the Company as a foreign corporation under Section 7874 of the Code or that such challenge would not be sustained by a court.

If the IRS were to successfully challenge under Section 7874 of the Code the Company’s status as a foreign corporation for U.S. federal income tax purposes, the Company and certain the Company shareholders would be subject to significant adverse tax consequences, including a higher effective corporate income tax rate on the Company and future withholding taxes on certain the Company shareholders, depending on the application of any income tax treaty that might apply to reduce such withholding taxes.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our financial condition and results of operations.

We are subject to federal and state income taxes in the United States and potentially in other jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation;
- changes in tax laws, regulations or interpretations thereof; or
- lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates.

In addition, we may be subject to audits of our income, sales and other transaction taxes by taxing authorities. Outcomes from these audits could have an adverse effect on our financial condition and results of operations.

Future changes in U.S. and foreign tax laws could adversely affect the Company.

The U.S. Congress and the Organisation for Economic Co-operation and Development have focused on issues related to the taxation of multinational corporations. In particular, specific attention has been paid to “base erosion and profit shifting”, where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. As a result, the tax laws in Ireland could change on a prospective or retroactive basis, and any such change could adversely affect the Company.

Risks Related to Irish Law

Irish taxes may apply to any dividends paid or transfers of the Company's securities.

If the Company pays dividends, such dividends may be subject to Irish dividend withholding tax or Irish income tax. Certain transfers of Ordinary Shares, may be subject to Irish capital acquisitions tax or stamp duty. In particular, Irish stamp duty will apply to any future transfer of Ordinary Shares which are not listed and held through the Depository Trust Company ("DTC") and generally the purchaser / transferee will be liable for the payment of the stamp duty arising.

Provisions in the Company's Amended and Restated Memorandum and Articles of Association and under Irish law could make an acquisition of the Company more difficult, may limit attempts by the Company's shareholders to replace or remove the Company's management, may limit shareholders' ability to obtain a favorable judicial forum for disputes with the Company or the Company's directors, officers or employees, and may limit the market price of the Ordinary Shares, the Public Warrants and/or other securities issued by the Company.

Provisions in the Amended and Restated Memorandum and Articles of Association may have the effect of delaying or preventing a change of control or changes in the Company's management. The Amended and Restated Memorandum and Articles of Association includes provisions that:

- require that the Company's Board be classified into three classes of directors with staggered three-year terms;
- permit the Company's Board to establish the number of directors and fill any vacancies and newly created directorships; and
- prohibit shareholder action by written consent without unanimous approval of all holders of the Ordinary Shares.

General Risk Factors

The Company does not intend to pay dividends for the foreseeable future.

The Company has never declared or paid any cash dividends on its capital stock and does not intend to pay any cash dividends in the foreseeable future. The Company expects to retain future earnings, if any, to fund the development and growth of its business. Any future determination to pay dividends on the Company's capital stock will be at the discretion of the Board of Directors of the Company (the "Board").

The Company incurs significant costs and devotes substantial management time as a result of being subject to reporting requirements in the United States, which may adversely affect the operating results of the Company in the future.

As a company subject to reporting requirements in the United States, the Company incurs significant legal, accounting and other expenses that the Company would not have incurred as a private company. For example, the Company is subject to the reporting requirements of the Exchange Act and is required to comply with the applicable requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules and regulations subsequently implemented by the SEC, including the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Compliance with these requirements increase the Company's legal and financial compliance costs and make some activities more time consuming and costly, while also diverting management attention. In particular, the Company expects to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act, which will increase when it is no longer an emerging growth company as defined by the Jumpstart Its Business Startups Act of 2012, which is referred to as the "JOBS Act."

The Company's management has limited experience in operating a public company in the United States.

While the Company's executive officers have experience in the management of a public company in Australia, the Company's executive officers have limited experience in the management of a public company in the United States. The Company's management team may not successfully or effectively manage its transition to a U.S. public company that will be subject to significant regulatory oversight and reporting obligations under federal securities laws. Their limited experience in dealing with the increasingly complex laws pertaining to U.S. public companies could be a significant disadvantage in that it is likely that an increasing amount of their time may be devoted to these activities which will result in less time being devoted to the management and growth of the Company. The Company may not have adequate personnel with the appropriate level of knowledge, experience, and training in the accounting policies, practices or internal controls over financial reporting required of public companies in the United States. The development and implementation of the standards and controls necessary for the Company to achieve the level of accounting standards required of a public company in the United States may require costs greater than expected. It is possible that the Company will be required to expand its employee base and hire additional employees to support its operations as a public company, which will increase its operating costs in future periods.

The stock price of the Ordinary Shares may be volatile.

The market price of the Ordinary Shares may be volatile. In addition to factors discussed elsewhere in this "Risk Factors" section, the market price of the Ordinary Shares may fluctuate significantly in response to numerous factors, many of which are beyond the Company's control, including:

- overall performance of the equity markets;
- actual or anticipated fluctuations in the Company's revenue and other operating results;
- changes in the financial projections the Company may provide to the public or the failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of the Company, changes in financial estimates by any securities analysts who follow the Company or the Company's failure to meet these estimates of the expectations of investors;
- the issuance of reports from short sellers that may negatively impact the trading price of the Ordinary Shares;
- the Company's stock being targeted by "naked" short sellers or other manipulative acts;
- recruitment or departure of key personnel;
- the economy as a whole and market conditions in the Company's industry;
- new laws, regulations, subsidies, or credits or new interpretations of them applicable to the Company's business;
- negative publicity related to real or perceived quality of the Company's products;
- rumors and market speculation involving the Company or other companies in the Company's industry;
- announcements by the Company or its competitors of significant technical innovations, acquisitions, strategic partnerships, or capital commitments;
- lawsuits threatened or filed against the Company;
- other events or factors including those resulting from war, incidents of terrorism or responses to these events or events related to changes, attempted changes, or anticipated changes in the Israeli or other legal or governmental system in jurisdictions in which the Company is active;
- the expiration of contractual lock-up or market standoff agreements; and
- sales or anticipated sales of shares of the Ordinary Shares by the Company or the Company's shareholders.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility.

The Company may issue additional Ordinary Shares or other equity securities without seeking approval of the Company's shareholders, which would dilute your ownership interests and may depress the market price of the Ordinary Shares.

The Company has warrants and options outstanding that are exercisable into approximately 517,445 Ordinary Shares, as well as other securities convertible into Ordinary Shares, compared to 4,266,996 Ordinary Shares issued and outstanding, as of May 14, 2025. Further, the Company may choose to seek third party or other financing to provide additional working capital, and/or compensate its directors, officers, employees and consultants with restricted stock units, restricted stock and options to purchase Ordinary Shares, in which events the Company may issue additional equity securities. The Company may also issue additional Ordinary Shares or other equity securities of equal or senior rank in the future for any reason or in connection with, among other things, future acquisitions, the redemption of outstanding warrants, repayment of outstanding indebtedness or for compensatory purposes, without shareholder approval, in a number of circumstances. The Company has elected to follow home country practice in lieu of the requirements under Nasdaq Rule 5635(c) and 5635(d). As a result, the Company does not seek shareholder approval in connection with certain sales, issuances and potential issuances of its securities, even if such issuances would equal 20% or more of the Company's Ordinary Shares or voting power outstanding before the issuance. The Company also does not always seek shareholder approval in connection with the establishment or material amendment of a stock option or purchase plan pursuant to which stock may be acquired by officers, directors, employees or consultants. This has resulted in substantial dilution to the Company's shareholders from time to time in the past, and may continue to do so in the future.

The Company's issuance of additional Ordinary Shares or other equity securities of equal or senior rank would have the following effects:

- The Company's existing shareholders' proportionate ownership interest in the Company will decrease;
- the amount of cash available per share, including for payment of dividends in the future, may decrease;
- the relative voting strength of each previously outstanding Ordinary Share may be diminished; and
- the market price of the Ordinary Shares may decline.

The Company is an "emerging growth company" and it cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make the Ordinary Shares less attractive to investors.

The Company is an "emerging growth company" as defined in the JOBS Act. As an emerging growth company, the Company is only required to provide two years of audited financial statements and only two years of related selected financial data and management discussion and analysis of financial condition and results of operations disclosure. In addition, the Company is not required to obtain auditor attestation of its reporting on internal control over financial reporting, has reduced disclosure obligations regarding executive compensation and is not required to hold non-binding advisory votes on executive compensation. In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of these accounting standards until they would otherwise apply to private companies. The Company has elected to take advantage of such extended transition period. The Company cannot predict whether investors will find the Ordinary Shares to be less attractive as a result of its reliance on these exemptions. If some investors find the Ordinary Shares to be less attractive as a result, there may be a less active trading market for the Ordinary Shares and the price of the Ordinary Shares may be more volatile.

The Company will remain an emerging growth company until the earliest of: (i) the end of the fiscal year in which the Company has total annual gross revenue of \$1.07 billion; (ii) the last day of the Company's fiscal year following the fifth anniversary of the date on which Lionheart III Corp., a Delaware corporation ("Lionheart") consummated its initial public offering; (iii) the date on which the Company issues more than \$1.0 billion in non-convertible debt during the preceding three-year period; or (iv) the end of the fiscal year in which the market value of the Ordinary Shares held by non- affiliates exceeds \$700 million as of the last business day of its most recently completed second fiscal quarter.

Further, there is no guarantee that the exemptions available to the Company under the JOBS Act will result in significant savings. To the extent that the Company chooses not to use exemptions from various reporting requirements under the JOBS Act, it will incur additional compliance costs, which may impact the Company's financial condition.

The Company will need additional capital in the future to meet its financial obligations and to pursue its business objectives. Additional capital may not be available on favorable terms, or at all, which could compromise the Company's ability to meet its financial obligations and grow its business.

The Company will need to raise additional capital to fund operations in the future, pay substantial existing liabilities and obligations, and possibly finance future growth of acquisitions.

If the Company seeks to raise additional capital in order to meet various objectives, including developing existing or future technologies and solutions, refinancing or repaying indebtedness or other liabilities or obligations, increasing working capital, acquiring new clients, expanding geographically and responding to competitive pressures, capital may not be available on favorable terms or may not be available at all, which could have a material adverse effect on the continued development or growth of the Company. Lack of sufficient capital resources could significantly limit the Company's ability to take advantage of business and strategic opportunities. Any additional capital raised through the sale of equity or debt securities with an equity component would dilute stock ownership. If adequate additional funds are not available, the Company may be required to delay, reduce the scope of, or eliminate material part of its business strategy, including acquiring potential new clients or the continued development of new or existing technologies or solutions and geographic expansion.

There can be no assurance that we will be able to comply with the continued listing standards of Nasdaq. If we are not able to comply with the applicable continued listing requirements or standards of the Nasdaq Capital Markets, Nasdaq could delist our Ordinary Shares and Public Warrants.

The Company's Ordinary Shares and Public Warrants are currently listed on the Nasdaq Capital Market, after failing to meet all of the listing standards of the Nasdaq Global Market. In order to maintain that listing, we must satisfy minimum financial and other continued listing requirements and standards, including those regarding minimum stockholders' equity, minimum market value, minimum share price, and certain corporate governance requirements.

In addition, we have received to-date three deficiency letters from the Listing Qualifications Department (the "Staff") of The Nasdaq Stock Market, LLC, notifying the Company that it is not in compliance with Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Requirement") for continued listing on the Nasdaq Capital Market, as the bid price of the Company's ordinary shares on the Nasdaq Capital Market on three occasions was below \$1.00 for 30 consecutive business days. We have also received a deficiency notification letter from the Listing Qualifications Staff of the Nasdaq Stock Market LLC due to the Company's non-compliance with Nasdaq Listing Rules 5620(a), as the Company did not hold an annual general meeting of shareholders within twelve months of the end of the Company's fiscal year ended December 31, 2023.

In each case, the Company was subsequently notified that it had regained compliance with the respective Nasdaq Listing Rules.

If Nasdaq delists the Ordinary Shares and/or the Public Warrants from trading on its exchange for failure to meet the listing standards, we and our stockholders could face significant material adverse consequences including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a determination that the Ordinary Shares is a “penny stock” which will require brokers trading in the Ordinary Shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as “covered securities.” To the extent the Ordinary Shares and Public Warrants are listed on Nasdaq, they are covered securities. Although the states are preempted from regulating the sale of our securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case. Further, if we were no longer listed on Nasdaq, our securities would not be covered securities and we would be subject to regulation in each state in which we offer our securities.

Upon delisting from Nasdaq, our Ordinary Shares may be traded, if at all in the over-the-counter inter-dealer quotation system, more commonly known as the OTC. OTC transactions involve risks in addition to those associated with transactions in securities traded on securities exchanges such as Nasdaq. Many OTC stocks trade less frequently and in smaller volumes than exchange-listed Stocks. Accordingly, our stock would be less liquid than it would be otherwise. Also, the values of OTC stocks are often more volatile than exchange-listed stocks. Additionally, institutional investors are often prohibited from investing in OTC stocks, and it might be more challenging to raise capital when needed. Any delisting from Nasdaq may also trigger an event of default under certain of the Company’s loan documents, which could result in acceleration of such loan(s), penalties and/or default interest, which would have a material adverse affect on our financial condition and company as a whole.

In addition, if our Ordinary Shares are delisted, your ability to transfer or sell your Ordinary Shares may be limited and the value of those securities will be materially adversely affected.

If our Ordinary Shares becomes subject to the penny stock rules, it may be more difficult to sell our Ordinary Shares.

The Commission has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or authorized for quotation on certain automated quotation systems, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). The OTC marketplace does not meet such requirements and if the price of our Ordinary Shares is less than \$5.00 and our Ordinary Shares are no longer listed on a national securities exchange such as Nasdaq, our stock may be deemed a penny stock. The penny stock rules require a broker-dealer, at least two business days prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver to the customer a standardized risk disclosure document containing specified information and to obtain from the customer a signed and dated acknowledgment of receipt of that document. In addition, the penny stock rules require that prior to effecting any transaction in a penny stock not otherwise exempt from those rules, a broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive: (i) the purchaser’s written acknowledgment of the receipt of a risk disclosure statement; (ii) a written agreement to transactions involving penny stocks; and (iii) a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our Ordinary Shares, and therefore shareholders may have difficulty selling their shares.

Future issuances of debt securities and equity securities may adversely affect us, including the market price of our Ordinary Shares and may be dilutive to existing shareholders.

We expect that significant additional capital will be needed in the future to continue our planned research, development and business operations. In the future, we may incur debt or issue equity ranking senior to our Ordinary Shares. Those securities will generally have priority upon liquidation. Such securities also may be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of Ordinary Shares. Because our decision to issue debt or equity in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. As a result, recent and future capital raising efforts may reduce the market price of Ordinary Shares and be dilutive to existing shareholders. In addition, our ability to raise additional capital through the sale of equity or convertible debt securities could be significantly impacted by the resale of Ordinary Shares by selling shareholders pursuant to one or more prospectuses, which could result in a significant decline in the trading price of Ordinary Shares and potentially hinder our ability to raise capital at terms that are acceptable to us or at all.

The JOBS Act permits “emerging growth companies” like the Company to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies, which may make our Ordinary Shares less attractive to investors.

The Company currently qualifies as an “emerging growth company” as defined in Section 2(a)(19) of the Securities Act, as modified by the JOBS Act. As such, the Company takes advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as it continues to be an emerging growth company, including the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act. As a result, Company shareholders may not have access to certain information they deem important.

The Company cannot predict if investors will find Ordinary Shares less attractive because it relies on these exemptions. If some investors find Ordinary Shares less attractive as a result, there may be a less active trading market and share price for Ordinary Shares may be more volatile. The Company may incur increased legal, accounting and compliance costs associated with Section 404 of the Sarbanes-Oxley Act.

There is less publicly available information concerning the Company than there is for issuers that are not foreign private issuers because the Company is considered a foreign private issuer and is exempt from a number of rules under the Exchange Act, and is permitted to file less information with the SEC than issuers that are not foreign private issuers.

The Company is considered a “foreign private issuer” under the Exchange Act. A foreign private issuer under the Exchange Act is exempt from certain rules under the Exchange Act, and is not required to file periodic reports and financial statements with the SEC as frequently or as promptly as companies whose securities are registered under the Exchange Act but are not foreign private issuers, or to comply with Regulation FD, which restricts the selective disclosure of material non-public information. The Company is exempt from certain disclosure and procedural requirements applicable to proxy solicitations under Section 14 of the Exchange Act. The Company currently prepares its financial statements in accordance with IFRS. The Company will not be required to file financial statements prepared in accordance with or reconciled to U.S. GAAP so long as its financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board. The Company is not required to comply with Regulation FD, which imposes restrictions on the selective disclosure of material information to shareholders. The members of the Company’s board of directors, officers and principal shareholders are exempt from the reporting and “short-swing” profit recovery provisions of Section 16 of the Exchange Act with respect to their purchases and sales of Company securities. Accordingly, there will likely be less publicly available information concerning the Company than there is for companies whose securities are registered under the Exchange Act but are not foreign private issuers, and such information may not be provided as promptly as it is provided by such companies.

In addition, certain information may be provided by the Company in accordance with Irish law, which may differ in substance or timing from such disclosure requirements under the Exchange Act. As a foreign private issuer, under Nasdaq rules the Company is subject to less stringent corporate governance requirements. Subject to certain exceptions, the rules of Nasdaq permit a foreign private issuer to follow its home country practice in lieu of the listing requirements of Nasdaq, including, for example, certain internal controls as well as board, committee and director independence requirements. The Company intends from time to time to follow Irish corporate governance practices in lieu of Nasdaq corporate governance rules and followed Irish practices to (a) amend its 2022 Equity Incentive Plan to increase the number of shares authorized under the plan without stockholder approval, (b) follow home country practice in lieu of the requirements under Nasdaq Rule 5635(d) to seek shareholder approval in connection with certain transactions involving the sale, issuance and potential issuance of its Ordinary Shares (or securities convertible into or exercisable for its Ordinary Shares) at a price less than certain referenced prices, if such shares equal 20% or more of the Company's Ordinary Shares or voting power outstanding before the issuance, (c) follow home country practice in lieu of the requirements under Nasdaq Rule 5635(c) to seek shareholder approval in connection with the establishment or material amendment of a stock option or purchase plan or arrangement pursuant to which stock may be acquired by officers, directors, employees or consultants, and (d) follow home country practice in lieu of the requirements under Nasdaq Rule 5605(c)(2)(A) that require the Company to have an audit committee of at least three members. We cannot assure you that we will not avail ourselves of other such exceptions in the future. If the Company determines to follow Irish corporate governance practices in lieu of Nasdaq corporate governance standards, the Company will disclose each Nasdaq rule that it does not intend to follow and describe the Irish practice that the Company will follow in lieu thereof.

The Company may lose its foreign private issuer status in the future, which could result in significant additional costs and expenses. This would subject the Company to GAAP reporting requirements which may be difficult for it to comply with.

As a “foreign private issuer,” the Company would not be required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act and related rules and regulations. Under those rules, the determination of foreign private issuer status is made annually on the last business day of an issuer’s most recently completed second fiscal quarter.

In the future, the Company could lose its foreign private issuer status if a majority of its Ordinary Shares are held by residents in the United States and it fails to meet any one of the additional “business contacts” requirements. Although the Company intends to follow certain practices that are consistent with U.S. regulatory provisions applicable to U.S. companies, the Company’s loss of foreign private issuer status would make such provisions mandatory. The regulatory and compliance costs to the Company under U.S. securities laws if it is deemed a U.S. domestic issuer may be significantly higher. If the Company is not a foreign private issuer, the Company will be required to file periodic reports and prospectuses on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. For example, the Company would become subject to the Regulation FD, aimed at preventing issuers from making selective disclosures of material information. The Company also may be required to modify certain of its policies to comply with good governance practices associated with U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, the Company may lose its ability to rely upon exemptions from certain corporate governance requirements of Nasdaq that are available to foreign private issuers. For example, Nasdaq’s corporate governance rules require listed companies to have, among other things, a majority of independent board members and independent director oversight of executive compensation, nomination of directors, and corporate governance matters. As a foreign private issuer, the Company would be permitted to follow home country practice in lieu of the above requirements. As long as the Company relies on the foreign private issuer exemption to certain of Nasdaq’s corporate governance standards, a majority of the directors on its board of directors are not required to be independent directors, its compensation committee is not required to be comprised entirely of independent directors, and it will not be required to have a nominating committee. Also, the Company would be required to change its basis of accounting from IFRS as issued by the IASB to GAAP, and would have to obtain shareholder approval for certain issuances of its Ordinary Shares or equivalents, each of which may be difficult and costly for it to comply with. If the Company loses its foreign private issuer status and fails to comply with U.S. securities laws applicable to U.S. domestic issuers, the Company may have to de-list from Nasdaq and could be subject to investigation by the SEC, Nasdaq and other regulators, among other materially adverse consequences.

The sale of currently-restricted Ordinary Shares acquired by the Company's stockholders, or the perception that such sales may occur, could cause the price of our Ordinary Shares to fall.

Depending on a number of factors, including market liquidity, sales of currently-restricted Ordinary Shares held by our stockholders may cause the trading price of our Ordinary Shares to fall. The stockholders may resell all, some, or none of those shares at its discretion upon registration or an exemption from registration. Therefore, sales by the stockholders could result in substantial dilution to the interests of other holders of our Ordinary Shares. Additionally, the sale of a substantial number of Ordinary Shares, or the anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a desirable time and price. The resale of Ordinary Shares by stockholders in the public market or otherwise or the perception that such sales could occur, could also harm the prevailing market price of our Ordinary Shares.

In addition, we face other risks and uncertainties that may materially affect our business prospects, financial condition, and results of operations. You should consider the risks discussed elsewhere in this Report before investing in our securities.

ITEM 4. INFORMATION OF THE COMPANY

A. History and Development of the Company

General

The legal name of the Company is SMX (Security Matters) Public Limited Company. The Company was formed on July 1, 2022 as a public limited company under the name Empatan Public Limited Company, incorporated in Ireland. The Company changed its name to SMX (Security Matters) Public Limited Company on February 15, 2023. Its affairs are governed by its Amended and Restated Memorandum and Articles of Association, the Irish Companies Act of 2014 (the “ICA”), and the laws of Ireland. The Company’s principal executive office is located at Mespil Business Centre, Mespil House, Sussex Road, Dublin 4, Ireland, D04 T4A6. The Company’s telephone number is +353 1 920 1000.

The Company has seven wholly owned subsidiaries: Lionheart, Security Matters PTY, trueSilver SMX Platform Ltd. (Canada) (“trueSilver”), SMX Fashion and Luxury (France), Security Matters Canada Ltd. (Canada), SMX (Security Matters) Ireland Limited (Ireland) and SMX Circular Economy FZCO (UAE), which was formed on April 18, 2025. Additionally, the Company owns 70% of SMX Circular Economy Platform PTE, Ltd. (Singapore) (“SMX Singapore”). The Company’s ownership in SMX Singapore was reduced to 70% on November 11, 2024.

Security Matters PTY has two wholly-owned subsidiaries: SMX Israel, and SMX Beverages Pty Ltd. (Australia). Security Matters PTY is also the record holder of 50% of Yahalom, through SMX Israel, and is also the record holder of 52.9% of trueGold Consortium Pty Ltd. (Australia) (“trueGold”).

The Company is subject to certain of the informational filing requirements of the Exchange Act. Since the Company is a “foreign private issuer,” it is exempt from the rules and regulations under the Exchange Act prescribing the furnishing and content of proxy statements, and the officers, directors and principal shareholders of the Company are exempt from the reporting and “short-swing” profit recovery provisions contained in Section 16 of the Exchange Act with respect to their purchase and sale of Parent Shares. In addition, the Company is not required to file reports and financial statements with the SEC as frequently or as promptly as U.S. public companies whose securities are registered under the Exchange Act. However, the Company is required to file with the SEC an Annual Report on Form 20-F containing financial statements audited by an independent accounting firm. The SEC maintains a website at <http://www.sec.gov> that contains reports and other information that the Company files with or furnishes electronically to the SEC.

The website address of the Company is <https://smx.tech>. The information contained on the website does not form a part of, and is not incorporated by reference into this Report.

SMX Israel and Security Matters PTY

SMX Israel was incorporated in 2014 to provide brand protection and supply chain integrity solutions to businesses. SMX Israel provides these solutions through the Source IP. SMX Israel’s Source IP was initiated from Soreq. In January 2015, SMX Israel entered into the Isorad License Agreement with Isorad (an IP holding company of Soreq) to license the Source IP and develop and commercialize the technology. Under the Isorad License Agreement, as amended, the Source IP can be utilized in almost any industry and with any product.

In 2018, SMX Israel merged into Security Matters PTY, to effect a listing on the Australian Securities Exchange under the symbol “ASX: SMX.” Security Matters PTY was incorporated in May 2018 under Australian law. On March 7, 2023, Security Matters PTY became a private, wholly-owned subsidiary of the Company, and changed its name to Security Matters PTY Ltd. in June 2023.

Business Combination

On March 7, 2023 (the “Closing Date”), the Company consummated a business combination pursuant to the Business Combination Agreement, dated as of July 26, 2022 (the “BCA”), by and among the Company, Security Matters PTY, Lionheart and Aryeh Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of the Company (“Merger Sub”) and the scheme implementation deed, dated as of July 26, 2022 (“SID”), by and among the Company, Security Matters PTY, Lionheart and Merger Sub (collectively, the “Business Combination”), as follows:

- Under the SID, Security Matters PTY proposed a scheme of arrangement under Part 5.1 of the Corporations Act 2001 (Cth) (“Corporations Act”) (“Scheme”) and the equal reduction of capital under section 256B of the Corporations Act pursuant to which all ordinary shares of Security Matters PTY were cancelled in accordance with the terms of the resolution of the shareholders of Security Matters PTY whereby the shareholders approved the capital reduction (“Capital Reduction”) which resulted in all shares in Security Matters PTY being cancelled in return for the issuance of ordinary shares of the Company, with the Company being issued one share in Security Matters PTY (“Security Matters Shares”) (this resulted in Security Matters PTY becoming a wholly owned subsidiary of the Company);
- Under the SID, Security Matters PTY proposed an option scheme of arrangement under Part 5.1 of the Corporations Act (“Option Scheme”), which resulted in the Security Matters PTY options held by participants in the Option Scheme being subject to a cashless exercise based on a Black-Scholes valuation, in exchange for Security Matters Shares. Under the Scheme those shares were cancelled and the participants received Ordinary Shares on the basis of the Scheme consideration;
- Security Matters PTY shareholders received consideration under the Scheme of 1 Ordinary Share per 10.3624 Security Matters Shares having an implied value of \$10.00 per Ordinary Share and the Company became the holder of all of the issued shares in Security Matters PTY and Lionheart, with Security Matters PTY being delisted from the Australian Stock Exchange;
- Merger Sub merged with and into Lionheart, with Lionheart surviving the merger as a wholly owned subsidiary of the Company; and
- Existing Lionheart stockholders received Ordinary Shares in exchange for their existing Lionheart shares and existing Lionheart warrant holders had their warrants automatically adjusted to become exercisable in respect of Ordinary Shares instead of Lionheart shares.

Other than as set forth below, since our incorporation, there have been no material changes to our share capital, mergers, amalgamations or consolidations of the Company or any of our significant subsidiaries, no acquisitions or dispositions of material assets other than in the ordinary course of business, no material changes in the mode of conducting our business, no material changes in the types of products produced or services rendered and no name changes.

The following has occurred since our incorporation:

- The Business Combination and the transactions contemplated therewith;
- A 1:22 reverse stock split effected on August 21, 2023;
- The trueGold Investment Agreement described below;
- A 1:75 reverse stock split effected on July 15, 2024;
- On November 11, 2024, the Company's holding in SMX Circular Economy Platform PTE, Ltd. was reduced from 100% to 70%;
- The increase in the Company's holdings in trueGold to 52.9% in connection with the PMB Partners, LP Letter of Intent as described below; and
- The 1:28.5 Reverse Stock Split, effected on January 15, 2025; and
- On March 26, 2025, the Company established a fully owned entity incorporated in Dubai Multi Commodities Centre Authority, United Arab Emirates with the name and style of "SMX Circular Economy FZCO".

There have been no bankruptcy, receivership or similar proceedings with respect to the Company or its significant subsidiaries. There have been no public takeover offers by third parties for our shares nor any public takeover offers by us for the shares of another company which have occurred during the last or current financial years.

true-Gold Investment Agreement

On October 3, 2023, Security Matters PTY entered into an Investment Agreement (the "trueGold Investment Agreement") with trueGold. Pursuant to the trueGold Investment Agreement, the AUD475,000 of indebtedness as of June 30, 2023 trueGold owed to Security Matters PTY was waived by Security Matters PTY in exchange for the issuance of additional shares of trueGold such that Security Matters PTY's holdings in trueGold shall be increased to 51.9% of the total issued and outstanding shares of trueGold, making Security Matters PTY the majority owner of trueGold. Additionally, the existing license agreement as between Security Matters PTY and trueGold, which, subject to the terms of the license agreement, grants to trueGold an exclusive, worldwide, perpetual license to use Security Matters PTY's technology for the purpose of commercializing it within the industry comprising gold as a precious metal (as elaborated below) (the "trueGold License Agreement"), was amended to include additional intellectual property of Security Matters PTY to be licensed to trueGold thereunder. Security Matters PTY shall further supply to trueGold a credit line for research and development work by its employees of up to AUD1,000,000, free of interest and collateral.

PMB Partners, LP Letter of Intent

On July 10, 2024, the Company entered into a Letter of Intent (the "PMB LOI") with PMB Partners, LP ("PMB"), as part of the Company's ongoing efforts to satisfy its existing liabilities while conserving cash. Pursuant to the PMB LOI, among other things, PMB exchanged the 11,833 shares it owned in trueGold for 1,021 Ordinary Shares of the Company.

B. Business Overview

Vision

The Company envisions itself as the next generation solution provider of brand protection, authentication and track and trace technology for the anti-counterfeit market. Its vision is to build confidence in the era of the digital economy, enabling parties to maintain trust in physical assets and processes. Its transformative solution aims at building on the principles of The United Nations' Sustainability Development Goals, particularly Goal 12: "Ensure sustainable consumption and production patterns" that can create value for participants in the circular economy. As an increasing number of industries and sectors are committing to using recycled material and realizing the broader strategic vision of net zero carbon emissions, we believe our solution is the next generation for sustainability and the circular economy.

Overview

The Company provides one solution to solve both authentication and track and trace challenges in order to uphold supply chain integrity and provide quality assurance and brand accountability to producers of goods. Its technology works as a track and trace system using a marker, a reader and an algorithm to identify embedded sub-molecular particles in order to track and trace different components along a production process (or any other marked good along a supply chain) to the end producer.

Its proprietary marker system embeds a permanent or removable (depending on the needs of the customer) mark on solid, liquid or gaseous objects or materials. Each marker is comprised of a combination of marker codes such that each marker is designed to be unique and unable to be duplicated. The marker system is coupled with an innovative patented reader that responds to signals from the marker and, together with a patented algorithm, captures the details of the product retrieved and stored on a blockchain digital ledger. Each marker can be stored, either locally on the reader and on private servers, cloud servers or on a blockchain ledger, to protect data integrity and custody.

Business Model

The Company's business model targets leading brands and manufacturers (as opposed to directly targeting consumers) in order to create a new market standard for circular economy solutions, brand authentication and supply chain integrity. The Company offers both business-to-business sales and "white label" solutions, depending on the needs of customers and the ultimate end use based on either a fixed fee or volume-based revenue model (or both).

The Company may work directly with the manufacturer of the products or through the manufacturer's raw material supplier so that the manufacturer is not required to change (or is required to make no more than minimal changes to) its manufacturing process in order to implement the Company's technology in the production process. Gaining the trust of raw material producers is the first stage, which in turn allows for credibility and trust when supplying solutions to brand owners, manufacturers and suppliers, which is a key step for its success.

Product and Applications

Product

The Company provides a solution comprised of three components: (1) a physical or chemical marker system coupled with (2) a reader and connected to (3) a blockchain digital platform.

Markers

Markers are embedded sub-molecular particles applied to a solid, liquid or gas. The Company uses various building blocks, comprised of a variety of molecules, to serve as markers for materials and products. For each project, its team selects a combination of molecules based on the specification of the customer and marked material (for example, the marked medium, the production process, the end use of the product and regulatory requirements, among others). The Company's innovative reader can identify the marker and identify a response at a sub molecular building block level, designed to make the marker identification more accurate.

The ability to more accurately identify the concentration level of a marker allows the Company to use numerous markings from a variety of different molecules. This enables it to not only identify the marker, but also identify the concentration within a product within a pre-defined range and "read" whether the marked material was diluted (authenticating not only the marked goods but also identifying the quantity).

Based on the specifications of the marked product, the Company can mark materials based on several techniques, allowing its solution to be implemented across materials and processes. Markers can carry information denoting each origins of manufacture, product provenance, date of production and many other types of data, depending on customer needs.

The Company can produce either permanent or removable markers that can be applied either topically or internally to material in any state of matter (solid, liquid or gas) to form an "Intelligence on Things," or "IOT2" marking system. The IOT2 concept involves marking products during or after the manufacturing process by inserting or applying materials to the products and encoding information through this process, namely by the treatment of materials or affixing and embedding product authentication security devices. The IOT2 concept allows for materials in a wide variety of products to be protected against counterfeiting, tampering, and diversion, and to help ensure the integrity of genuine products and manage the supply chain and logistics processes.

The marker supports invisible, indelible, and non-damaging tracking of distinctive molecules designed to ensure uniqueness and prevent duplication or counterfeiting. The marker is designed to not in any way affect the properties of the material it is applied to-it simply becomes a part of that material. The molecules are designed to be inert, inactive, and invisible to the human eye.

Readers

Markers are embedded in the material and can only be read by designated readers. A reader scans for the existence of markers. If the reading satisfies a pre-determined condition set by the Company (which can be programmed), than the reader can identify the marked product and convey information about such product to the customer.

The Company currently utilizes an x-ray wave reader that is modified according to its specifications to allow it to scan its proprietary markers. The reader and the Company's algorithm are designed to make its detection method unique and prevent duplication or interference with its markers. The reader is available as hand-held device or industrial apparatus for large-scale applications, with the ability to read the embedded material data from a physical or chemical marker without requiring lengthy and expensive laboratory testing for confirmation.

Platform

Blockchain technology is a ledger of records, which are linked and designed to be secured using cryptography from third party infrastructure and the Company's architecture. The Company can record a marker manifestation on the blockchain and store this information in cloud computing data storage. It has developed an algorithm designed to securely connect its reader to an existing platform (licensed from a SaaS provider) and record changing ownership and other information to the blockchain. Once the Company's blockchain solution is implemented, a marked good or material is scanned in order to identify the marker, the results can be verified on the blockchain in order to confirm the data embedded in it, such as the identity of the producer, date of production, supplier and past owners. During the same scan, the reader can record to the blockchain a change of location or ownership of the marked product or material.

The IOT2 concept mentioned above also refers to the retrieving, analyzing and processing of encoded information embedded on products and product components and uploading such information to a cloud computing system or to a distributed blockchain system, creating a digital twin to a physical product for the purpose of product authentication, brand protection, tracking and tracing products and product components, supply chain management, and logistical processes.

Applications

The Company's solution offers the following applications across industries:

Process Tracing

Process tracing involves the upstream marking of raw material and blockchain-backed scanning throughout processing stages to allow for full traceability of raw material across its life cycle. Manufacturers are under increasing consumer and regulatory pressure to prove material provenance in order to be able to certify compliance with environmental, social and governance ("ESG"), sourcing practices and carbon content of finished goods. Through upstream marking of raw material and blockchain-backed scanning throughout the processing stages, the Company's technology enables real tracking and tracing of materials, including the source of those materials. Additionally, the Company's technology enables manufacturers to know whether any used items are theirs and enables them to pay third parties to collect their used products, creating a market for collecting used products and selling them to other manufacturers.

Authentication

Growing concerns about component tampering along high security or critical infrastructure product supply chains and increasing counterfeit issues for high value density products are also issues that the Company's marking and authenticating process is designed to address. Manufacturers can validate product authenticity to their customers by marking final products or prime components and scanning the marker at a retail location or as part of the process of recycling their products.

Sustainability and Circular Economics

The end-to-end technology solution covers three product lifecycles to enhance the circular economy from raw material to manufacturing/production, packaging, and end-of-life, enabling it to re-enter the economy for recycling or reuse. By marking upstream raw material and later scanning recycled content at waste collection points, an advanced sorting of materials is enabled which can increase the value of recycled content and in turn help to increase global recycling rates and recycled content certification.

Key Strengths

Innovative Technology

The Company's technology can serve various manufacturers' needs such as brand protection, authentication, track and trace for supply chain integrity and quality assurance. This technology has the potential to disrupt several industries and enable manufacturers and brand owners to be better able to protect their products.

Growing Addressable Market

The circular economy represents a potential opportunity for global economic growth as society moves towards a more sustainable future and as manufacturers and other entities come under increasing consumer and regulatory pressure to comply with ESG sourcing practices.

Experienced Development Technology Team

The Company's technology team is an experienced team of professionals, with a track record in the industrial sector and governmental agencies.

Cross Segment Activity and Collaborative Relationships

The Company's technology is applicable for multiple industries. The growth potential of the Company is derived from its ability to provide an adaptive solution for multiple market segments, based on a unified technology solution. The Company also has collaborative relationships with leading companies which can provide it with access to various entities to which to sell its technology. This is part of the Company's strategy to create strategic partnerships with market leaders across its main segments of activity.

Sustainability

The Company believes regulatory and consumer pressure to increase recycling rates of high-pollution materials, such as plastics and rubber as well as growing sustainability concerns and requirements to preserve resources and minimize pollution are important drivers for our growth. Thus, any such sustainability regulations and consumer pressure promoting solutions that enable the circular economy, including the solutions that the Company offers, can help to drive our growth.

Business Strategy

The Company's roadmap for entry into markets it identifies is as follows:

- *Market Leader Adoption.* Adoption of the solution by a market leader that provides a “seal of approval” that the technology is valid for the industry and generates added value.
- *Becoming an Industry Standard.* Leverage the market leader’s position in the market to increase adoption by other companies along the value chain.
- *Regulator Adoption.* In the future, the Company aims to become the preferred solution by regulators and professional associations in each industry.

Research and Development

Given the varied needs of different industries, the Company's research and development processes are divided according to industry.

Plastics, Rubber and Other Materials

In 2022, Security Matters PTY completed a successful trial of marking recycled plastics by studying the impact of gravimetric and volumetric feeding methods on final Post Consumer Recyclat (“PCR”), readings. The compounding master batch and extrusion processes of these trials were performed on a pilot scale in a fully commercial and industrial facility. The Company's team demonstrated its ability to manage the process remotely, indicating the viability of industrial scale adoption.

The successful trial provides plastic manufacturer and importing companies with a proof of concept, enabling them to more accurately identify and audit, via an automated transparent reporting system, the polymer type, number of loops and the amount of recycled content despite the size and color of the plastic. As a result, the Company is positioning itself to be able to offer plastic manufacturing and importing companies the ability to promote their operations as being sustainable and environmentally friendly. Combined with its ability to digitally certify the materials, the Company is also positioning itself to offer these companies the ability to avoid human/manual-paper auditing and use technology/automated auditing, which helps to reduce the potential for human errors and can provide for cost savings.

In March 2023, the Company announced that it succeeded for the first time in verifying a marker substance for natural rubber in a tire and so throughout the entire production process. The dedicated marker technology is designed to create greater transparency along the entire value chain of tires and technical rubber products. Provided with special security features, the use of the marker substances enables the invisible marking of natural rubber with information on its geographical origin. This means, for example, that responsibly sourced natural rubber and its origin can be verified at every stage of the supply chain all the way through to the customer. Since March 2023, additional source testing with markers in rubber has been conducted with encouraging outcomes.

In the field test, the marker substance was added to responsibly grown latex during harvesting and withstood not only the intensive preparations involved in the production of natural rubber but also the tire manufacturing process itself. In the manufactured tire, the data was retrieved using special, purpose-built software and a reader and correctly interpreted. The appearance and performance of a bicycle tire containing the invisible marker remained unchanged.

The Company expects that the new marker technology can be used on a larger scale in the future during the process of sourcing rubber and also to integrate it in other rubber products. As part of the industrialization of this technology, it is conceivable to link the markers with blockchain technology. This could provide additional support for tamper-free monitoring of compliance with quality standards and quality criteria along the complex supply chain of natural rubber.

On April 10, 2024, the Company announced that it has successfully completed the marking of 21 tons of natural rubber sourced in Latin America from tree to tire. The program covered the marking at the tree in Latin America through manufacturing and production in the region. The Company's marker was added to the cup lump harvesting by the farmers prior to transfer to the manufacturing centre where the 42 tons of latex was converted to 21 tons of natural rubber. The bails were then transferred to tire manufacturing for commercial car, truck and lorry tires. The tires were then sent for evaluation. The results demonstrated 100% success rates on all marked tires to have a proven verification technology for origin authentication of the natural rubber and full traceability all along the entire supply chain data and integrity from tree to tire.

Plastic Cycle Token

On November 28, 2023, the Company announced the planned launch of a plastic cycle token, scheduled for release in the end of 2025. The initiative is being designed to present a reliable, ethical digital credit platform, aiming to capitalize on billions of dollars in recyclable plastics credits in a newly created market.

The tradeable plastic cycle token is being designed to enable companies to transition towards sustainable practices, encouraging entities within and outside the plastic ecosystem, including oil producers and waste management firms, to increase recycled content utilization.

This initiative is also expected to position the Company's Plastic Cycle Token as a next-generation alternative to carbon credits, creating a new paradigm in the Impact ESG investment landscape. Each token is being designed to represent a quantifiable amount of recycled plastic using the Company's technology to physically mark the plastics, potentially offering a tangible impact on environmental circularity.

Gold and Other Metals

Gold

Security Matters PTY formed a joint initiative with W.A. Mint Pty Ltd. ("Perth Mint") to develop a mine-to-marketplace ethical gold supply chain technology solution. Since the incorporation of trueGold in June 2020, this research and development project aims to promote a 'mine to product' transparency solution dedicated to responsible mining of materials. The Company's track & trace technology provides information on the origin of the materials and how they move across production and distribution chains towards recycling and back to refining.

On July 29, 2020, Security Matters PTY signed a shareholders' agreement with Perth Mint and trueGold. The shareholders' agreement and the ancillary agreements discuss the establishment of a new entity-trueGold-by Security Matters PTY and Perth Mint. Security Matters PTY granted to trueGold, subject to the terms of the trueGold License Agreement, an exclusive, worldwide, perpetual license to use Security Matters PTY's technology for the purpose of commercializing it within the industry comprising gold as a precious metal (as elaborated below). Security Matters PTY owns any development of its intellectual property and, while trueGold owns all generated data it creates, trueGold granted to Security Matters PTY a free non-exclusive, irrevocable, perpetual, royalty free license to use the generated data, subject to regulatory requirements and to the extent that it relates to the Isorad License Agreement technology or Security Matters PTY's technology. The parties agreed that neither Perth Mint or Security Matters PTY are required to provide any funding to trueGold and that any investment by any of them in trueGold from time to time will be by way of in-kind contributions. Third party equity investors will contribute the working capital will fund R&D, development capital and other expenses in accordance with the business plan.

Other than with the consent of the other shareholders or between affiliates (defined, *inter alia*, as a related body corporate of a shareholder; a company in which the shareholder beneficially owns 50% or more of the issued shares) a transfer of shares will be done subject to a right of first refusal of the other shareholders, whom will also have tag-along rights and a drag-along (as elaborated below). Under the constitution (as amended in July, 2022, to add the specific right of Security Matters PTY to purchase shares before any other shareholders) any shareholder wishing to transfer shares must notify the board of directors and, before the board of directors authorize the transfer of any share or shares, the share or shares must first have been offered to Security Matters PTY (for its own benefit and unless Security Matters PTY is 50% owned by one entity), and if the Company does not notify within 30 days that it wishes to purchase, then to all other shareholders (including Security Matters PTY) at a price to be agreed on by the transferor and the directors of trueGold. If the transferor and the directors of trueGold are unable to agree on a price, the price of the relevant shares will be a price which: represents a fair market price; and is determined by expert determination administered by the Australian Disputes Centre (ADC) in accordance with the ADC Rules for Expert Determination which are operating at the time the matter is referred to ADC, which rules are incorporated into the constitution of trueGold. The determination of such person in relation to the price of the relevant shares will be final and binding on all shareholders.

Subject to certain terms and conditions, a drag-along right is established under which where shareholders wish to dispose of all of their share to a third party that wishes to acquire 100% of trueGold and 75% or more of the aggregate number of shares on issue at that time agreed, the remaining shareholders may be forced to transfer to the third party all of the shares held by each of the remaining shareholders. In case of a deadlock (defined as a case where the board of directors disagrees on a material matter regarding the fundamental operation of trueGold or the business and cannot resolve the disagreement within 10 business days of the disagreement first arising), if the shareholders are unable to reach agreement on any matter, a dispute resolution mechanism was created.

The board of directors of trueGold was agreed to consist of not less than three and not more than seven. The board is comprised as follows: Security Matters PTY may appoint (remove or replace) up to two directors; Zeren Browne; Perth Mint may appoint (remove or replace) up to two directors; and Hugh Morgan, who is a non-executive, independent chair. A list of resolutions was set, which require a board majority including at least one Security Matters PTY appointed director and one Perth Mint appointed director. Another list of resolutions was set, which require a resolution carried by a majority of the shareholders including Security Matters PTY and Perth Mint. trueGold and Yahalom (defined below) agreed to bear the payments to Soreq related thereto of 4.2% of its revenues. The Company's CEO, Mr. Haggai Alon, provides CEO services to trueGold and reports to the board of directors of trueGold, and Zeren Browne provides General Manager services to trueGold.

On October 3, 2023, Security Matters PTY entered into the trueGold Investment Agreement with trueGold. Pursuant to the trueGold Investment Agreement, the AUD475,000 of indebtedness as of June 30, 2023 trueGold owed to Security Matters PTY was waived by Security Matters PTY in exchange for the issuance of the trueGold Shares such that Security Matters PTY's holdings in trueGold was increased to 51.9% of the total issued and outstanding shares of trueGold, making Security Matters PTY the majority owner of trueGold. Additionally, the trueGold License Agreement was amended to include additional intellectual property of Security Matters PTY to be licensed to trueGold thereunder. Security Matters PTY shall further supply to trueGold a credit line for research and development work by its employees of up to AUD1,000,000, free of interest and collateral.

Thereafter, on July 10, 2024, in connection with the PMB LOI, Security Matters PTY's ownership in trueGold was increased from 51.9% to 52.9%.

TrueSilver

On June 7, 2023, we announced that we are in the process of creating a new subsidiary, TrueSilver SMX Platform Ltd. ("TrueSilver"), and that we have entered into a 120-day exclusive agreement with Sunshine Minting Inc. ("Sunshine"), to create a path to full transparency and traceability for silver products from mine site to final products and recycling and the creation of an industry standard. During the 120-day exclusivity period, Sunshine shall evaluate our technology for its use, with possible further collaborations thereafter.

In July 2023, we transferred the ownership of our wholly owned granddaughter company "Security Matters Canada Ltd." from ownership by our subsidiary Security Matters PTY to direct ownership by the Company and renamed it "TrueSilver SMX Platform Ltd."

On April 15, 2024, the Company announced the successful completion of proof of concept for ethical sourcing and authentication of silver in cooperation with Sunshine.

The Company has now successfully completed the marking of 2.2 tons of silver within Sunshine's operations. The program covered the marking of the silver raw material through continuous manufacturing processes to final products including recycling loops.

The Company's technology was added at the melting stage and the marked silver material was processed into blank (from casting, extrusion, rolling, annealing, blank cutting & recycling), and the quality of the marked intermediate material and final products was evaluated (from billet to blank and recycled blank after several cycles).

The results demonstrated 100% success rates on all marked products all along the production process (from billet to finished product) ensuring the durability and irrefutable proof of quality and Brand authentication of the silver for credible ESG reporting for stakeholders, customers, auditors, and regulators. Further testing has since been conducted, with all tests having passed.

Non-Ferrous Metals

On November 29, 2022, Security Matters PTY signed a products distribution and SAAS reseller agreement with Sumitomo Corporation, a Japanese corporation ("Sumitomo"). Under such agreement, Security Matters PTY appointed Sumitomo to act as Security Matters PTY's exclusive, worldwide distributor to market and sell markers, readers and Security Matters PTY services to customers for application in the Non-Ferrous Metals Market (as defined below) only, subject to the customer entering into with Security Matters PTY its standard product license agreement. The "Non-Ferrous Metals Market" is defined as all supply chain market segments of the industry for aluminum, copper, lead, nickel, zinc, molybdenum, cobalt, lithium and tin.

The price at which Security Matters PTY shall sell products to Sumitomo and the license fee at which Security Matters PTY shall license Security Matters PTY products and Security Matters PTY service to Sumitomo shall be a discount of the invoices issued to the customers.

Generally, the agreement shall remain in effect for an initial term of five years from the effective date of first commercial sale by Security Matters PTY to Sumitomo of any products. The companies have agreed that over the coming years there is a target to reach \$35 million in sales.

Alcoholic Beverages

In December 2021, Security Matters PTY acquired all the holdings SMX Beverages Pty Ltd, a joint venture incorporated in February 2020 for the promotion of solutions in the alcoholic beverage industries including in relation to the prevention of counterfeit alcoholic beverages, circular economy concepts and packaging and supply chain within those industries.

Security Matters PTY has furthered advanced progress on source tracing utilizing food-grade markers with regard to glass bottles used for alcoholic beverages and key ingredients in the production of alcoholic beverages, to include grapes, wheat, barely, and hops.

Diamonds and Precious Stones

On April 30, 2019, Security Matters PTY signed an agreement with Trifecta Industries Inc. ("Trifecta") for the commercialization of Security Matters PTY's trace technology in the diamonds and precious stone industry. Under the terms of the agreement, Security Matters PTY and Trifecta established Yahalom, which is equally held by Security Matters PTY and Trifecta.

Both parties covenanted not to pursue the use of Security Matters PTY's technology for diamonds and precious stones, or any other venture related to the testing of the origin of diamonds or precious stone, other than through the Yahalom. Additionally, in agreement with Isorad, all rights in and to any intellectual property related to the diamonds and precious stones industry that is developed by or for Yahalom is jointly owned in equal parts by the Security Matters PTY, Yahalom and Soreq.

Security Matters PTY continues to develop the technology and will supply Yahalom technical services. Security Matters PTY bears the cost of such R&D services but the agreed hourly costs of Security Matters PTY's staff is recorded as a shareholders loan of Security Matters PTY to Yahalom, once the first \$250,000 to be paid by Trifecta are exhausted (which is yet to happen). Trifecta supplies Yahalom diamonds and other raw materials, which remain in the ownership of Trifecta. If Security Matters PTY causes damage to such diamonds during the R&D process, this will be reported the Trifecta and the damage recorded as a shareholders loan of Trifecta to Yahalom. Trifecta will supply Yahalom services of business development. Trifecta bears the cost of such services but the agreed hourly costs of Trifecta's staff is recorded as a shareholders loan of Trifecta to Yahalom. Management of Yahalom is agreed to be jointly, with certain special resolutions requiring agreement of both parties. Actual day-to-day management is in Canada.

In addition to the shareholders loan extended by man-hours as stipulated above, the parties covenanted to extend up to \$1 million to Yahalom (\$350,000 by Security Matters PTY and \$650,000 by Trifecta, with \$250,000 extended by Trifecta registered as capital and all other funds as shareholders loans). Funds were agreed to be injected upon reaching certain milestones. The Security Matters PTY loan of \$350,000 are to be injected only upon reaching future milestones and only if such funds will be required, which stage has not yet arrived. Such Security Matters PTY loan will bear an interest rate of 5% per annum. Upon Yahalom being able to repay the shareholders loans, first a sum of \$250,000 will be repaid to Trifecta and then all other shareholders loans will be repaid pro-rata. Only after repayment of all shareholders loans will Yahalom distribute profits.

A party may not transfer its shares to others without the prior approval of the other party other than a transfer to an affiliate (defined as an entity directly or indirectly controlled by a party or directly or indirectly controls such party or is directly or indirectly controlled by a person which also, directly or indirectly, controls such person) done after 30-days' notice to the other party, and after the affiliate agrees to adopt the agreement.

Yahalom agreed to bear the payments to Soreq related thereto (as described in "*Gold and Other Metals*" above).

Electronics

Security Matters PTY has joined an alliance, SEPA 2030, formed by six founding partners, among them the World Business Council for Sustainable Development, to set a shared vision for a circular economy for electronics, called the Circular Electronics Partnership. This group of global companies has been brought together to reduce e-waste and to commit to a roadmap for a circular economy for electronics by 2030.

During 2024, the Company has continued progressing on its planned solutions to the challenges of the electrical, electronic and electromechanical industries relating to waste, reusability and supply chain protection. In today's complex global environment, the Company believes that ensuring that critical components and electronic circuit boards don't end up in the wrong hands is more important than ever. From sanctioned components slipping through hidden channels to sensitive technology being transferred without approval, the Company risks are real, and the consequences to the end-users of this equipment can be devastating. We believe our innovative solution addresses this growing problem by providing a comprehensive way to track and control restricted equipment. Utilizing sub-molecular markings combined with microscale GPS trackers, the Company would attach an unremovable digital twin to any component or printed circuit board. On December 26, 2024, the Company announced that it achieved integration of its markers in NFC and RFID chips.

Fashion

In December 2020, Security Matters PTY announced that it had launched a Fashion Sustainability Competence Centre to enable fashion brands globally, to transition successfully to a sustainable circular economy by being able to identify the origination of their raw materials and hence, recycle their own unsold and/or end-of-life merchandise (garments, footwear and accessories including sunglasses) back into new high-quality materials and new fashion merchandise. Security Matters PTY's technology is applicable across a range of materials including leather, silk, cotton, wool, coated canvas, vegan leather, polyesters, cashmere, metals (e.g., gold & metallic parts) and plastics; and its applications encompass finished leather goods, shoes, garments, and accessories. Security Matters PTY is also collaborating with several luxury fashion conglomerates on R&D projects to trace the origin of raw materials used in their supply chain and is in commercial negotiations regarding the implementation of its solution with partners in the industry.

In July 2023, we changed the name of the wholly owned subsidiary from "SMX France" to "SMX Fashion and Luxury" in anticipation for such company to be used for the fields of fashion and luxury.

On December 26, 2024, coinciding with the announcements of the Company's integration of its markers in NFC and RFID chips and the ability of the marker's coating to withstand 150 degrees Celsius, the Company identified the potential for the use of the markers in wearable technology and active wear.

Intellectual Property

The ability of the Company to develop and maintain proprietary information technology is crucial to our success. Since 2015, Security Matters PTY technology has been protected by more than 20 patent families and more than 100 patents filed around the world in various stages with respect to our marking and reading technologies. *See Item 5. Operating and Financial Review and Prospects – C. Research and Development, Patents and Licenses, etc. – Intellectual Property* for a table identifying a list of the Company's patents that have passed the international phase (PCT) and may be publicly disclosed.

Marketing and Sales

The Company intends to concentrate its market penetration efforts into the U.S. and AESAN markets, including recruitment of sales and marketing personnel, either located in the U.S. or with U.S. orientation, participation in various professional expos, conventions and exhibitions and entering into agreements or arrangements with distributors in the U.S. markets and commencing collaborative relationships with commercial entities for the development of new customized products. Moreover, the Company intends to continue to invest significant resources in research and development in order to improve and build on its array of existing solutions and strive to develop new innovative products in sync with new market technological developments. The Company plans to further advance its innovative technology and commercialization efforts by:

- engaging with additional suppliers and service providers in order to improve and streamline its product development process and supply chain;
- increasing marketing and sales activities, concentrating on specific target markets;
- increasing participation in professional expos, conventions and exhibitions; and
- establishing partnerships and collaborations with strategic customers and entities in the segments relevant to its technology.

The Company's pricing is based on the perceived value proposition of its solution for its customers. The pricing model is expected to be comprised of three components:

- set-up fee (for initial consultations);
- marker implementation fee (typically on a per item or per kg basis) and sale or lease of readers; and
- service fee (for reading, blockchain services and other support services).

Pricing may also include an annual license fee, payment of royalties, pay-per-read, or other models.

Facilities

The Company's main business activities are conducted at SMX Israel's headquarters in central Israel. It leases 363 square meters of office space at this location under a lease until May 31, 2027, with an option to extend the lease with an additional rental fee of 10% for an additional five years. The Company also leases an additional adjacent building of 146 square meters where it conducts research and development activities. The lessor (who represented that he is not aware of any such impending circumstances) has the right to shorten the lease with 90-days-notice if it is demanded by a government entity to evacuate the premises, to change the agreement or to pay fines due to the agreement. The Company believes that its current facilities are suitable and sufficient to meet its anticipated needs for the foreseeable future.

Competition

Armed with its various products and designs, the Company believes it possesses a unique combination of knowledge and features. It has established an innovative, cross- segment technology, developed over several years by an experienced and dedicated team of scientists, which it believes create a barrier to entry to its competitors.

The Company's product is currently undergoing pilot projects with customers with strong international presence. The customizable nature of its technology allows the Company to embed the technology in multiple products, from silk to rubber to diamonds to gold to plastics, across multiple segments.

The Company is constantly striving to improve its competitive status in the market by:

- entering into agreements or arrangements with large and high-profile customers in the industry, which it believes enhances its status and reputation in multiple markets and provides opportunities to enter into new agreements or arrangements with new customers;
- entering into agreements or arrangements with strategic partners in order to strengthen its position to become the new industry standard; and
- Providing high-level development and support services to customers, to promote customer retention, and encourage its customers to rely on the Company to use its technologies for future projects.

Government Royalty Obligations and Regulations

Israeli R&D Law

The Government of Israel encourages research and development projects oriented towards products for export or projects which will otherwise benefit the Israeli economy. This is conducted via the Israel Innovation Authority ("IIA"), which replaced the former Office of the Chief Scientist ("OCS"). The Company has an approved project with the IIA under which it received a total of \$162,000 in prior years. The Company is subject to paying 3% of its relevant revenues until repayment of the entire grant. As of December 31, 2023 and 2024, the Company has not paid any royalties to IIA. The difference between the consideration received and the liability recognized at inception (present value) was treated as a government grant according to IAS 20 and recognized as a reimbursement of research expenses.

Until October 25, 2023, the interest was calculated at a rate based on 12-month London Interbank Offered Rate, or LIBOR applicable to US Dollar deposits. However, on October 25, 2023, the IIA published a directive concerning changes in royalties to address the expiration of the LIBOR. Under such directive, regarding IIA grants approved by the IIA prior to January 1, 2024 but which are outstanding thereafter, as of January 1, 2024 the annual interest will be calculated at a rate based on 12-month Secured Overnight Financing Rate, the SOFR, or at an alternative rate published by the Bank of Israel plus 0.71513%; and, for grants approved on or following January 1, 2024 the annual interest will be the higher of (i) the 12 months SOFR interest rate, plus 1%, or (ii) a fixed annual interest rate of 4%.

As of December 31, 2024 and 2023, the liability amounted to \$177,000 and \$153,000, respectively.

Approved Enterprise

The Israeli Encouragement of Capital Investments Law, 1959, is intended to encourage investment in industry in Israel in national priority areas, to promote economic initiatives while giving preference to advanced and innovative industries, and to strengthen development areas. Based on the Investment Law, the Investment Center may, on application, grant the status of "Approved Enterprise" for Capital Investments in industry and tourism. Certificates of approval are issued and such approval entitles the project to receive substantial support from the State. The support may be in the form of reduced taxation, investment grants or other benefits specifically designed to encourage capital investment in Israel. Such State support is conditional on certain restrictions on the activities of a supported company, which restrictions may not easily be alleviated.

Isorad License Agreement

Under the Isorad License Agreement (as amended), Security Matters PTY received from Isorad an exclusive, worldwide, royalty-bearing license, to make use of (including to develop, manufacture, use, market, offer for sale, sell, export and import in the field of marking methods) US patent number 8158432 B2 and the technology derived from it can be utilized in almost any industry and with any product. Additionally, any uses for the Israeli Security Forces and/or its purposes will be conducted via us at a "cost plus" price to be agreed. While Isorad and Soreq reserve the right to freely continue to research and develop the technology, Security Matters PTY has a right of first offer to any newly developed technology. If the Source IP is developed further by Soreq and Soreq wishes to commercialize the new technology, then Soreq must offer the right to commercialize the new technology to Security Matters PTY in the first instance.

Security Matters PTY and its affiliate are to pay Isorad royalties for 25 years as of January 1, 2020, in the amount of 2.2% of all gross sales by the Company, our affiliates or sublicensees and after 25 years the license becomes royalty-free. Gross sales are defined under the Isorad License Agreement to include the total amount invoiced or received by Security Matters PTY and/or its affiliates, including, without limitation, for sale of products and provision of services. If Security Matters PTY charges a fee for sublicensing or an option for a sublicense, for which it does not pay the 2.2% royalty described above, such income will be subject to royalty payment of 15% of the amounts received. The royalties for revenues from sub-licensing the technology are payable as of January 1, 2020.

Upon the occurrence of the next M&A event (as such event is defined in such agreement to include mergers, sale of all or substantially all the assets of ours and similar event) Security Matters PTY is to pay a cash amount equal to 1.5% of the Exit Consideration (as such term is defined in such agreement). Additionally, Isorad was issued 864,000 options to purchase shares of Security Matters PTY and is entitled to receive 1% of any amount actually received against equity or other funding convertible into equity at the closing of the transaction and any amount actually received against equity or other funding during a period of 13 months thereafter (to be paid after reaching an aggregated received amount of \$27 million, or at the end of such 13 months, the earlier thereof). This will not apply to any future offer of shares, merger or sale of assets thereafter. As of December 31, 2024, based on the funds the Company actually received, the Company recognized a technology license intellectual property at the amount of \$158 thousand against a liability that reflects the due amount.

Under the Isorad License Agreement, Isorad can only refuse to approve a sublicense based on governmental defense, security, governmental policy, political and other official State of Israel policy considerations. A sublicensee cannot further grant, directly or indirectly, to any third party any sublicense or rights to the technology and cannot further assign the sublicense agreement.

Specifically as to Yahalom, the royalty rate on gross sales of Yahalom, to be paid by Yahalom, are 4.2% (and not 2.2% that applies solely to Security Matters PTY, its other affiliates and to other sublicensees). Upon the occurrence of an M&A event (as such event is defined in such agreement to include mergers, sale of all or substantially all the assets of Yahalom and similar event), Isorad is entitled to a fee equal to 1% of the total consideration paid to, received by, or distributed to, Yahalom and/or its shareholders and/or its affiliates in connection with the event, including, without limitation, all cash, securities or other property which is received by Yahalom and/or its shareholders in connection with such event of two such events (i.e. twice) at its choice.

The Isorad License Agreement will continue in full force and effect until terminated pursuant to its terms. If either party does not remedy a material breach of its obligations within 180-days of notice of the material breach, the non-defaulting party may terminate the Isorad License Agreement immediately. Isorad may terminate the agreement by providing 30-days prior written notice if the royalties payable to Isorad are \$nil in any semi-annual report and we have breached other certain obligations (such as a failure to maintain a patent or patent application in the previous semi-annual review period).

Security Matters PTY has provided broad indemnities to Isorad and Soreq and their related parties under the terms of the Isorad License Agreement. The Isorad License Agreement is governed by the laws of Israel.

Safety Certifications and Permits

The Company is in compliance with the requirements of the ISO 9001:2015 standard for quality management and quality assurance. The ISO organization promotes worldwide proprietary, industrial and commercial standards. The Company is examined annually to verify that we comply with the ISO standards of excellence, safety, quality, process management and risks management, and currently holds an ISO certificate as of the date of this Annual Report on Form 20-F.

Under the provisions of the Israeli Non Ionizing Radiation Law, and the Work Safety regulations (regarding employment safety and health of those working with non-ionizing radiation), the Company is required to hold a valid license for operations involving non ionizing radiation as well as employ a safety expert with qualifications as defined by the law. As of May 8, 2022, Security Matters PTY has a valid license for operations involving non ionizing radiation and employs a safety expert as required by law. Additionally, the import and use of its readers may be subject to a license requirement in certain jurisdictions, which requirement may change from one jurisdiction to another.

Employees

As of December 31, 2024, the Company had 19 employees, 12 full time employees and 2 part time employees located in Israel. The Company also has three employees in Singapore, one in Australia and one in the United Kingdom.

None of the Company's employees are members of a union or subject to the terms of a collective bargaining agreement. In Israel, the Company is subject to certain Israeli labor laws, regulations and Labor Court precedent rulings, as well as certain provisions of collective bargaining agreements applicable to the Company by virtue of extension orders issued in accordance with relevant labor laws by the Israeli Ministry of Economy and Industry, and which apply such agreement provisions to the Company's employees even though they are not part of a union that has signed a collective bargaining agreement.

All of the Company's employment and consulting agreements include standard non-compete and intellectual property assignment provisions, as well as strict confidentiality obligations. The enforceability of non-compete provisions may be limited by Israeli law.

The Company has a diversity policy in effect, last updated and approved by the board on February 7, 2021, according to which we are committed to gender diversity across its Board, senior management team and across its entire workforce, with a particular goal of increasing the representation of women in all areas.

Legal Proceedings

From time to time, the Company may become involved in legal proceedings or may be subject to claims arising in the ordinary course of our business. Although the results of these proceedings and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these ordinary course matters will not have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

The Company is currently engaged in an arbitration process with *R&I* Trading. The statements of claim by the parties to the arbitration proceedings were filed on January 6, 2025. *R&I* Trading's statement of claim demands full restitution of the amounts paid by it under the agreement. The Company's statement of claim alleges that *R&I* Trading breached the agreement and has requested the arbitrator to grant relief for the division of remedies in the event that the Company is presented with further expenses by suppliers and employees that have not yet been included in its damage estimate. The Company also raised claims regarding loss of opportunities and requested declaratory relief in favor of the Company.

Prior to filing the statement of claim, on December 26, 2024, the Company filed a motion for declaratory relief. On January 9, 2025, *R&I* Trading responded to the motion. The Company had until January 23, 2025 to submit reply papers in connection with this motion practice.

On March 6, 2025, the parties filed a request for the approval of a mutual procedural arrangement, under which, among other things, *R&I* Trading will file an affidavit stating that it is not using the Company's IP rights and has no intention of violating the Company's IP rights; the Company will withdraw the motion for a declaration and amend its statement of claim accordingly by March 30, 2025; the statements of defense will be filed by April 21, 2025; and the statements of reply will be filed by May 12, 2025.

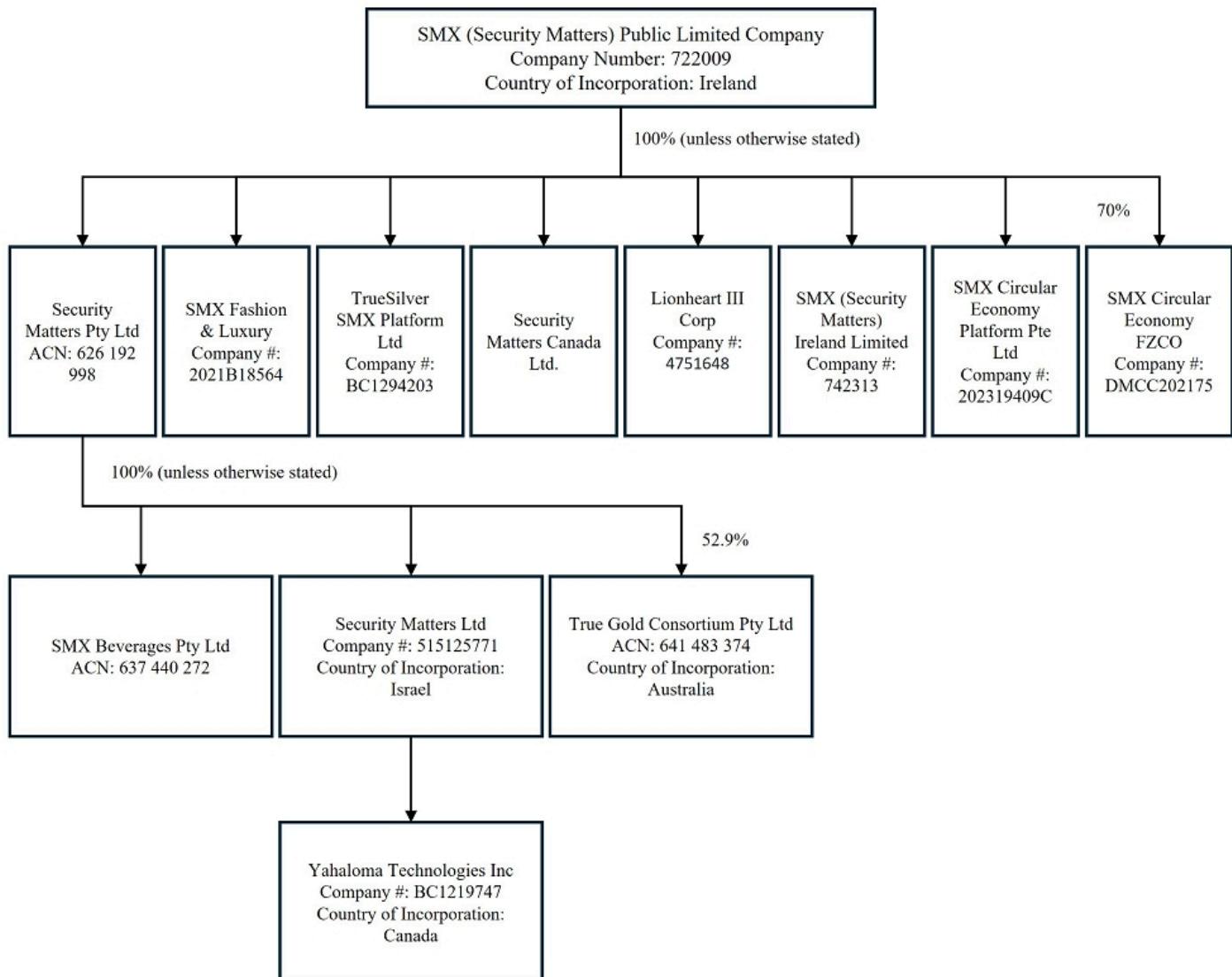
On March 7, 2025, the arbitrator approved the request, and on March 23, 2025, *R&I* Trading filed its affidavit. On May 11, 2025, the parties filed their statements of defense. At this preliminary stage, it is not possible to assess the chances of the Company's claim and the outcome of the arbitration proceedings.

C. Organizational Structure

The Company has seven wholly owned subsidiaries: Lionheart, Security Matters PTY, trueSilver SMX Platform Ltd. (Canada) ("trueSilver"), SMX Fashion and Luxury (France), Security Matters Canada Ltd. (Canada), SMX (Security Matters) Ireland Limited (Ireland) and SMX Circular Economy FZCO (UAE), which was formed on April 18, 2025. Additionally, the Company owns 70% of SMX Circular Economy Platform PTE, Ltd. (Singapore) ("SMX Singapore"). The Company's ownership in SMX Singapore was reduced to 70% on November 11, 2024.

Security Matters PTY has two wholly-owned subsidiaries: SMX Israel, and SMX Beverages Pty Ltd. (Australia). Security Matters PTY is also the record holder of 50% of Yahalom, through SMX Israel, and 52.9% of trueGold Consortium Pty Ltd. (Australia) ("trueGold").

The below chart details the organizational structure of the Company:



D. Property, Plants and Equipment

The Company's main business activities are conducted at SMX Israel's headquarters in central Israel. It leases 363 square meters of office space at this location under a lease until May 31, 2027, with an option to extend the lease with an additional rental fee of 10% for an additional five years. The Company also leases an additional adjacent building of 146 square meters where it conducts research and development activities. The lessor (who represented that he is not aware of any such impending circumstances) has the right to shorten the lease with 90 days notice if it is demanded by a government entity to evacuate the premises, to change the agreement or to pay fines due to the agreement. The Company believes that its current facilities are suitable and sufficient to meet its anticipated needs for the foreseeable future.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our audited financial condition and results of operations together with our consolidated financial statements appearing elsewhere in this Annual Report on Form 20-F. This Annual Report on Form 20-F contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Exchange Act, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words "expect," "anticipate," "intend," "believe," or similar language. All forward-looking statements included in this Annual Report on Form 20-F are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. In evaluating our business, you should carefully consider the information provided under "*Item 3.D. Risk Factors.*" Actual results could differ materially from those projected in the forward-looking statements. The terms "Company," "we," "our" or "us" as used herein refer to SMX (Security Matters) Public Limited Company and its consolidated subsidiaries unless otherwise stated or indicated by context.

All amounts discussed are in U.S. dollars, unless otherwise indicated.

Business

The Company integrates chemistry, physics, and computer science to give materials memory and create a culture of transparency and trust across multiple industries. The Company's over 100 patents in various stages of application support unique marking, measuring, and tracking technologies allowing clients to seamlessly deploy transparency at all levels of development and provide stakeholders with a complete provenance of material composition and history, from virgin material to recycled, to address manufacturing challenges and ESG goals while maintaining sustainable growth. As a result, the Company's technologies are designed and developed to help companies address ESG commitments and transition more successfully to a low-carbon economy.

The Company's technology seeks to enable global companies across various industries to transition more successfully to a sustainable circular economy. By adopting our technology, they would be able to tangibly measure and track the raw material from origination, through the supply chain and at the end of life-where the amount of material recycled/reused from that product item can be measured and as well as the number of times that specific material/item has been recycled/reused.

The Company provides one solution to solve both authentication and track and trace challenges in order to uphold supply chain integrity and provide quality assurance and brand accountability to producers of goods. Its technology works as a track and trace system using a marker, a reader and an algorithm to identify embedded sub-molecular particles in order to track and trace different components along a production process (or any other marked good along a supply chain) to the end producer.

Its proprietary marker system embeds a permanent or removable (depending on the needs of the customer) mark on solid, liquid or gaseous objects or materials. One reader can detect embedded data in various materials, from metals to fabrics to food and plastics, with all data logged onto the same digital platform. This versatility across materials sets the Company's technology apart from competitors. Each marker is comprised of a combination of marker codes such that each marker is designed to be unique and unable to be duplicated. The marker system is coupled with an innovative patented reader that responds to signals from the marker and, together with a patented algorithm, captures the details of the product retrieved and stored on a blockchain digital ledger. Each marker can be stored, either locally on the reader and on private servers, cloud servers or on a blockchain ledger, to protect data integrity and custody.

The potential of the Company's technology application extends beyond merely tracing raw materials from origination to finished product for recycling and reuse. It has the potential to serve as a cornerstone for broader innovative markets, including the following:

In November 2023, the Company unveiled plans for the launch of the world's first plastic cycle token. In response to the global plastic recycling rate of just 9% and an estimated market valued at over \$40 billion, this initiative aims to establish a reliable, ethical digital credit platform, tapping into the vast potential of recyclable plastics credits in a new market. Collaborating with a range of partners and sponsors, each offering unique skills and expertise, the Company aims to create the Plastic Cycle Token, facilitating companies' transition to sustainable practices. This token is poised to serve as a next-generation alternative to carbon credits, aligned with the European Union's efforts to improve recycling rates. Leveraging its technology, which enables physical traceability of recycled materials, the Company seeks to incentivize genuine plastic recycling, promoting environmental circularity and supporting impactful ESG investments and securing the integrity of electronic components including the Artificial Intelligence (AI) industry, and their supply chains from raw materials to final systems using its proprietary cyber digitizing hardware protection technology.

This was followed by another announcement by the Company in January 2024, for a \$5 million contract with R&I Trading, deploying cutting-edge technology to enhance supply chain transparency for a NATO member state, with plans to expand to additional NATO members. This partnership aims to establish new standards in brand protection, authentication, and ethical sourcing, particularly in the FMCG sector. Through this initiative, the Company is committed to promoting transparency and security in global supply chains, reflecting its dedication to ethical business practices and technological innovation. Subsequent to June 30, 2024, R&I Trading sent a termination notice to the Company and a demand for arbitration with respect to disputed payment amounts under the contract. The Company believes the termination of the contract is unlawful and has demanded that R&I Trading honor its obligations under the contract. The Company further believes R&I Trading's claims are without merit and intends to defend any action, if and when commenced, vigorously. The Company is currently engaged in an arbitration process with R&I Trading. The statements of claim by the parties to the arbitration proceedings were filed on January 6, 2025. R&I Trading's statement of claim demands full restitution of the amounts paid by it under the agreement. The Company's statement of claim alleges that R&I Trading breached the agreement and has requested the arbitrator to grant relief for the division of remedies in the event that the Company is presented with further expenses by suppliers and employees that have not yet been included in its damage estimate. The Company also raised claims regarding loss of opportunities and requested declaratory relief in favor of the Company. Prior to filing the statement of claim, on December 26, 2024, the Company filed a motion for declaratory relief. On January 9, 2025, R&I Trading responded to the motion. The Company had until January 23, 2025, to submit reply papers in connection with this motion practice. On March 6, 2025, the parties filed a request for the approval of a mutual procedural arrangement, under which, among other things, R&I Trading will file an affidavit stating that it is not using the Company's IP rights and has no intention of violating the Company's IP rights; the Company will withdraw the motion for a declaration and amend its statement of claim accordingly by March 30, 2025; the statements of defense will be filed by April 21, 2025; and the statements of reply will be filed by May 12, 2025.

On March 7, 2025, the arbitrator approved the request, and on March 23, 2025, R&I Trading filed its affidavit. On May 11, 2025, the parties filed their statements of defense. At this preliminary stage, it is not possible to assess the chances of the Company's claim and the outcome of the arbitration proceedings.

Status of Ybyrá Capital Heads of Agreement

We previously disclosed that we entered into a non-binding Heads of Agreement, dated December 5, 2024 (the "Heads of Agreement") with Ybyrá Capital S.A., an emerging holding company focused in commodities and real estate development in South America, and most recently updated the status of the Heads of Agreement on January 23, 2025. The Heads of Agreement provides a roadmap towards a potential transaction, including the need for further due diligence, regulatory and shareholder approvals. As of the filing date of this Annual Report on Form 20-F, the parties have been unable to finalize the principle deal terms or commence drafting of definitive transaction documents. While we believe negotiations are continuing, we can no longer give any assurance that definitive documents will ever be negotiated, executed or delivered, or that a transaction will ever be consummated.

History

SMX Israel was incorporated in 2014 to provide brand protection and supply chain integrity solutions to businesses. It provides these solutions through the commercialization of the Source IP. The Source IP was initiated from Soreq. In January 2015, SMX Israel entered into the Isorad License Agreement with Isorad. Under the Isorad License Agreement, as amended, the Source IP can be utilized in almost any industry and with any product.

SMX Israel merged into Security Matters PTY to effect a listing on the Australian Securities Exchange under the symbol "ASX: SMX." At that time, Security Matters PTY had three wholly-owned subsidiaries: SMX Israel, SMX Fashion and Luxury (France), and SMX Beverages Pty Ltd. (Australia). It was also the record holder of 50% of Yahalom and, as of October 3, 2023, 51.9% of trueGold.

On March 7, 2023, the Company consummated the Business Combination with Lionheart pursuant to which, among other things:

- Security Matters PTY proposed the Scheme and Capital Reduction which resulted in all shares in Security Matters Limited being cancelled in return for the issuance of the Company's Ordinary Shares, with the Company being issued the Security Matters Shares (this resulted in Security Matters PTY becoming a wholly owned subsidiary of the Company);
- Security Matters PTY proposed the Option Scheme, which resulted in the Security Matters PTY options held by participants in the Option Scheme being subject to a cashless exercise based on a Black-Scholes valuation, in exchange for Security Matters Shares. Under the Scheme those shares were cancelled and the participants received Ordinary Shares on the basis of the Scheme consideration;
- Security Matters PTY shareholders received consideration under the Scheme of 1 Ordinary Share per 10.3624 Security Matters Shares having an implied value of \$10.00 per Ordinary Share and the Company became the holder of all of the issued shares in Security Matters PTY and Lionheart, with Security Matters PTY being delisted from the Australian Stock Exchange;
- Merger Sub merged with and into Lionheart, with Lionheart surviving the merger as a wholly owned subsidiary of the Company;
- Existing Lionheart stockholders received Ordinary Shares in exchange for their existing Lionheart shares and existing Lionheart warrant holders had their warrants automatically adjusted to become exercisable in respect of Ordinary Shares instead of Lionheart shares; and
- The Company's Ordinary Shares were listed on NASDAQ under the ticker SMX and the Public Warrants were listed under the ticker SMXWW.

As a result of the Business Combination, the Company owns the entire share capital of Security Matters PTY. Accordingly, for financial reporting purposes, Security Matters PTY (the legal subsidiary) is the accounting acquirer and the Company (the legal parent) is the accounting acquiree. The consolidated financial statements prepared following the reverse acquisition were issued under the name of the Company, but they were a continuance of the financial statements of Security Matters PTY and reflected the fair values of the assets and liabilities of the Company (the acquiree for accounting purposes), together with a deemed issuance of shares by Security Matters PTY at fair value based on the quoted opening share price of the Company in its first trading day following the closing of the Business Combination, and a recapitalization of its equity. This deemed issuance of shares is in fact both an equity transaction under IAS 32 (receiving the net assets of the Company) and an equity-settled share-based payment transaction under IFRS 2 (receiving the listing status of the Company). The difference between the fair value of the shares deemed to have been issued by Security Matters PTY and the fair value of the Company's identifiable net assets represent a payment for the service of obtaining a stock exchange listing for its shares and it is therefore expensed immediately to profit or loss at the closing date.

A. Operating Results

Key Factors Affecting Operating Results

The Company believes that its performance and future success depend on several factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and in the section of this Annual Report on Form 20-F titled “*Risk Factors*.”

Commercial Agreements

The Company's technology seeks to enable global companies across various industries to transition more successfully to a sustainable circular economy. By adopting our technology, they can be able to tangibly measure and track the raw material from origination, through the supply chain and at the end of life-where the amount of material recycled/reused from that product item can be measured and as well as the number of times that specific material/item has been recycled/reused.

Due to the fact that we aim our sales efforts at large multi-national market-leading conglomerates, our sale cycle is of several quarters and there is a risk associated with it that at any time, due to force majeure, or events like pandemics, natural disasters, cyberattacks, regional wars, global tension, global supply chain challenges and climate change, that are beyond our control, the sale cycle will be broken and all efforts will be lost.

The Company has received interest in its technology from several international market-makers conglomerates as well as parties interested in making such technology a market standard, which will greatly assist the creation of future income. Any delays in the successful completion of projects or the creation of a market standard, as well as the materialization of any of the risks described in the section entitled “*Risk Factors*” above may impact the ability to generate revenue.

Components of Operating Results

The results of operations presented below should be reviewed in conjunction with the consolidated financial statements and notes included elsewhere in this Annual Report on Form 20-F.

Revenue

To date, we have not seen substantial revenue from our technology sales. This is partly because our focus has been on creating a seamless onboarding process for multinational clients, establishing a solid foundation to become an industry standard, and ensuring readiness for a full and rapid deployment as a global commercial service.

Operating Expenses

The Company's current operating expenses consist of the following components: research and development expenses, general and administrative expenses and selling and marketing expenses. The Company is working to maintain discipline on expenses over time.

Research and Development Expenses, Net

The Company's research and development expenses consist primarily of wage and salary related expenses, subcontractors and consultants, depreciation and amortization of equipment, research expenses and share-based compensation expenses. The Company expects that its research and development expenses will increase as the Company continues to develop its products and recruit additional research and development employees.

The Company is engaged in Proof of Concept (POC) agreements according to which it receives funds for financing research and development expenses from prospective customers. Those funds are reimbursements for expenses and therefore are offset against the related R&D expenses in profit or loss.

General and Administrative Expenses

General and administrative expenses consist primarily of professional services fees, wages and salary related expenses, share-based compensation, facility-related costs and other general and administrative expenses. In the year ended December 31, 2024, general and administrative expenses also include the cost related to being a public NASDAQ company.

Selling and Marketing Expenses

Selling and marketing expenses consist primarily of wages and salary related expenses, digital advertising and marketing expenses.

Finance Income and Expenses

Finance expenses, net consists primarily of revaluation of financial liabilities and warrants at fair value, interest on borrowings, inducement expenses, exchange rate difference, and fees and commissions to banks.

Gain from Remeasurement of investment in associated company

Gain from remeasurement of investment in associated company arises due to the agreement the Company signed with trueGold on October 3, 2023 to acquire an additional 7.5% which increased the Company's holdings to 51.9% in trueGold and resulted in the Company gaining control over trueGold.

On July 10, 2024, in connection with the PMB LOI, Security Matters PTY's ownership in trueGold was increased from 51.9% to 52.9%. See "*Item 4. Information of the Company – A. History and Development of the Company – PMB Partners, LP Letter of Intent*".

Foreign Currency

The consolidated financial statements are prepared in US Dollars, which is the functional and presentation currency of the Company. The Company's functional currency is US Dollar. The functional currency of Lionheart is US Dollar. The functional currency of SMX Fashion and Luxury is EURO. The functional currency of trueSilver is Canadian Dollars. The functional currency of SMX (Security Matters) Ireland Limited is US Dollar. The functional currency of SMX Circular Economy Platform PTE, Ltd. is Singapore Dollar. Security Matters PTY's functional currency is Australian Dollars. The functional currency of SMX Israel is New Israeli Shekels. The functional currency of Security Matters Canada Ltd. is Canadian Dollars. The functional currency of SMX Beverages Pty Ltd. is Australian Dollar. The functional currency of trueGold is Australian Dollar.

Transactions and balances in foreign currencies are converted into US Dollars in accordance with the principles set forth by International Accounting Standard (IAS) 21 ("The Effects of Changes in Foreign Exchange Rates"). Accordingly, transactions and balances have been converted as follows:

- Assets and liabilities - at the rate of exchange applicable at the reporting date.
- Expense items - at annual average rate at the statements of financial position date.
- Share capital, capital reserve and other capital movement items were at rate of exchange as of the date of recognition of those items.
- Accumulated deficit was based on the opening balance for the beginning of the reporting period in addition to the movements mentioned above.
- Exchange gains and losses from the aforementioned conversion are recorded in exchange losses arising on translation of foreign operations in the consolidated statement of comprehensive loss.

Comparison of the Years Ended December 31, 2024, December 31, 2023, and December 31, 2022

The following table summarizes our historical results of operations for the periods indicated:

U.S. dollars in thousands (except of per share data)	Year Ended December 31,		
	2024	2023	2022
General and administrative expenses	12,729	16,567	2,723
Research and development expenses	3,059	2,711	1,898
Selling and marketing expenses	992	661	569
Impairment and Amortization	11,085	-	-
Listing cost	-	16,802	-
Operating Loss	(27,865)	(36,741)	(5,190)
Finance expenses	13,493	7,891	1,128
Finance income	5,957	1,580	28
Gain from remeasurement of investment in associated company	-	22,164	-
Share of net profit (loss) of associate companies	-	(101)	106
Loss before income tax	(35,401)	(20,989)	(6,184)
Income tax	-	-	-
Net Loss	(35,401)	(20,989)	(6,184)
Net loss attributable to:			
Equity holders of the Company	(31,092)	(20,914)	(6,184)
Non- controlling interest	(4,309)	(75)	-
Basic and diluted loss per share attributable to shareholders**	(248)	(16,557)	(17,624)

** Restated as a result of the Business Combination and after giving effect to the reverse stock split

General and Administrative Expenses

The Company's general and administrative expenses amounted to \$12,729 thousand for the year ended December 31, 2024, a net decrease of \$3,838 thousand, or 23%, compared to \$16,567 for the year ended December 31, 2023. The net decrease was primarily attributable to a decrease of \$4,735 thousand in transaction costs, a decrease of \$261 in travel expenses, set-off with an increase of \$858 in professional services expenses, and an increase of \$482 in share-based compensation costs.

The Company's general and administrative expenses amounted to \$16,567 thousand for the year ended December 31, 2023, a net increase of \$13,844 thousand, or 508.4%, compared to \$2,723 for the year ended December 31, 2022. The net increase was primarily attributable to an increase of \$7,278 thousand in Business Combination cost, an increase of \$5,128 in public company expenses, an increase of \$1,085 in Share based compensation, an increase of \$413 in Wages and salaries related reflecting an increase in payroll expenses and in the number of employees and an increase of \$388 thousand in travel expenses, due to returning to full operation after the COVID-19 pandemic which is offset by decrease of \$438 thousand in Professional services expenses.

Research and Development Expenses, Net

The Company's research and development expenses for the year ended December 31, 2024, amounted to \$3,059 thousand, representing an increase of \$348 thousand, or 13%, compared to \$2,711 thousand for the year ended December 31, 2023. The major changes in research and development expenses were an increase of \$568 thousand in salaries and related expenses and materials and laboratory expenses that increased by \$211 thousand, set-off with a \$209 thousand decrease in subcontractors and consultant expenses, all due to rolling out of the Company's technology.

The Company's research and development expenses for the year ended December 31, 2023, amounted to \$2,711 thousand, representing an increase of \$813 thousand, or 42.8%, compared to \$1,898 thousand for the year ended December 31, 2022. The major changes in research and development expenses were an increase of \$320 thousand in share-based compensation expenses and reimbursement from proof of concept projects that decreased by \$568 thousand.

Selling and Marketing Expenses

The Company's selling and marketing expenses totaled \$992 thousand for the year ended December 31, 2024, an increase of \$331 thousand, or 50%, compared to \$661 thousand for the year ended December 31, 2023, and was primarily due to an increase of \$222 thousand in wages and salaries related due to hiring new professional senior selling and marketing team and an increase of \$74 thousand for marketing, consulting and digital media expenses.

The Company's selling and marketing expenses totaled \$661 thousand for the year ended December 31, 2023, an increase of \$92 thousand, or 16.1%, compared to \$569 thousand for the year ended December 31, 2022, and was primarily due to an increase of \$176 thousand in wages and salaries related due to hiring new professional senior selling and marketing team. This was offset by a decrease in marketing expenses and consulting.

Listing Cost

The Company's listing cost for the year ended December 31, 2024, amounted to nil.

The Company's listing cost for the year ended December 31, 2023, amounted to \$16,802 thousand, which consisted of \$11,599 thousand representing deemed issuance of shares at fair value at the closing of the Business Combination and \$5,203 thousand, which represents the fair value of the Company's identifiable net assets which represents a payment for the service of obtaining a stock exchange listing for its shares and it is therefore recorded to the consolidated statement of comprehensive loss.

Finance Income and Expenses

The Company's finance income for the year ended December 31, 2024, totaled \$5,957 thousand, an increase of \$4,377 thousand, or 277%, compared to \$1,580 thousand for the year ended December 31, 2023. The increase is due to a \$2,100 thousand revaluation of convertible notes and financial liabilities at fair value revaluations set-off with \$113 thousand revaluation of public warrants financial liabilities at fair value, and \$2,396 thousand due to foreign currency changes and interest expenses. The Company's finance expenses for the year ended December 31, 2024, amounted to \$13,493 thousand, an increase of \$5,602 thousand, or 71%, compared to \$7,891 thousand for the year ended December 31, 2023. The increase mainly attributed to a \$4,660 thousand revaluation of the bridge loans and convertible notes, and \$893 thousand due to foreign currency changes.

The Company's finance expenses are an outcome of its achievement to raise more than \$13 million during the year ended December 31, 2024. The Company's finance income for the year ended December 31, 2023, totaled \$1,580 thousand, an increase of \$1,552 thousand, or 5,543%, compared to \$28 thousand for the year ended December 31, 2022. The increase is due to \$927 thousand revaluation of public warrants financial liabilities at fair value and \$377 thousand revaluation of convertible note. The Company's finance expenses for the year ended December 31, 2023, amounted to \$7,891 thousand, an increase of \$6,763 thousand, or 599.6%, compared to \$1,128 thousand for the year ended December 31, 2022. The increase mainly attributed to a \$3,704 thousand revaluation of the bridge loans and convertible notes, \$2,005 thousand due to warrants revaluation, \$1,000 thousand due to interest on borrowings, and \$250 thousand from inducement expenses.

Amortization and Impairment

In the fiscal year ending December 31, 2024, the Company recognized amortization and impairment of its intangible assets, technology assets, and goodwill, as the intangible assets are now matured to commercial stage and in active use. Amortization expenses totaled \$2,075 thousand and the impairment amounted to \$9,010 thousand.

Gain from Remeasurement of Investment in Associated Company

During the year ended December 31, 2023, the Company recorded a gain from remeasurement of investment in associated company amounted to \$22,164 thousand and reflects the remeasurement of the investment in trueGold at fair value following the Company obtaining control over true-Gold, since before the transaction's completion the Company held 44.4% of the shares of true-Gold which were treated as a joint venture investment.

Share of Net Profit/Loss of Associated Companies

Shares of net loss of associated companies consists of equity profit or loss from associated joint venture activity for the year ended on December 31, 2024 amounted to nil, and for the year ended on December 31, 2023 and 2022 at the amount of \$101 thousand loss compared to \$106 thousand profit, respectively. As of December 31, 2024, December 31, 2023 and December 31, 2022, the carrying amount of the investment in associated companies is \$105 thousand, \$115 thousand and 221 thousand, respectively.

Income Tax

As of December 31, 2024, the Company estimated carry forward tax losses of approximately \$69,363 thousand (December 31, 2023: \$45,095 thousand) which may be carried forward and offset against taxable income for an indefinite period in the future. The Company and its subsidiaries did not recognize deferred tax assets relating to carry forward losses in the financial statements because their utilization in the foreseeable future is not probable.

Operating Loss

For the fiscal year ending December 31, 2024, the Company has an operating loss of \$27,865 thousand, an improvement from the \$36,741 thousand loss reported for the year 2023 (the prior year's losses included one-time listing expenses of \$16,802 thousand). These losses are largely attributed to the recognized amortization and impairment of its intangible assets, technology assets, and goodwill, as well as to increased investments in research and development and accelerated business development activities.

Net Loss

The Company had a net loss of \$35,401 thousand for the fiscal year ending December 31, 2024, compared to a net loss of \$20,989 thousand, or 68.7%, for the fiscal year ending December 31, 2023, and \$6,184 thousand for the year ended December 31, 2022. The year 2023 included a one-time gain from the remeasurement of investments in associated companies amounting to \$22,164 thousand.

B. Liquidity and Capital Resources

Overview

Since our inception through December 31, 2024 and thereafter, the Company has funded its operations principally through the issuance of Ordinary Shares, warrants, convertible notes, loans from investors and related parties, governmental grants and reimbursement from prospective customers for paid pilots and proof-of-concept projects. As of December 31, 2024, the Company had \$2,343 thousand in cash and cash equivalents.

On December 30 and 31, 2024, some of the option warrant A holders as part of the private placement transaction, entered into by the Company on September 11, 2024 (see *Item 5. Operating and Financial Review and Prospects - B. - Contractual Obligations – Private Placement Transaction*) submitted an exercise instruction to convert the option warrants into shares, in exchange for an exercise addition of \$1,510 thousands, which was transferred to the Company's bank account only on January 2, 2025.

The Company consummated a transaction pursuant to a Securities Purchase Agreement dated as of March 28, 2025 and issued and sold to 1800 Diagonal Lending LLC, a Virginia limited liability company ("1800 Diagonal") a promissory note, for gross proceeds to the Company of \$295.5 thousands, before deducting fees and other offering expenses payable by the Company.

On May 7, 2025, the Company entered into Securities Purchase Agreement ("RBW Purchase Agreement") with institutional investors (the "RBW Investors") to issue and sell to each of the RBW Investors a promissory note (the "RBW Note"), in the principal amount of \$6,875 thousand, and purchase price (cash in) amount of \$5,500 thousand, before transaction cost for legal and agents fees in the amount of \$855 thousand. The RBW Note carries an original issue discount (OID) of 20%, bears 0% interest per year. The RBW Investors have the right to convert the outstanding principal into Ordinary Shares at a 15% discount based on the lowest daily weighted average price during the 7 trading days before immediately prior to the date of the conversion. As of the date of this report, the Company was funded with \$1,375 thousand.

The table below presents our cash flows for the periods indicated:

U.S. dollars in thousands	For Year Ended December 31,		
	2024	2023	2022
Net cash used in operating activities	11,314	12,479	5,223
Net cash used in investing activities	190	1,036	1,127
Net cash provided by financing activities	13,110	11,954	3,846
Net increase (decrease) in cash and cash equivalents	1,606	(1,561)	(2,504)

Operating Activities

Net cash used in operating activities was \$11,314 thousand during the year ended December 31, 2024, compared to net cash used in operating activities of \$12,479 thousand during the year ended December 31, 2023. The cash used is mainly attributed to the net loss for the period which amounted to \$35,401 thousand and adjusted mainly as non-cash, remeasurement at the amount of \$6,813 thousand for impairment of goodwill, depreciation and amortization remeasurement at the amount of \$2,273 thousand of fixed assets and intangible assets, impairment of intangible assets remeasurement at the amount of \$2,197, thousand financial expenses due to loans and financial derivatives and other financial instruments measured at fair value at the amount of \$9,144 thousand and stock-based compensation expenses at the amount of \$3,657 thousand.

Net cash used in operating activities amounted to \$5,223 thousand during the year ended December 31, 2022. The increase is mainly attributed to the net loss for the period which amounted to \$20,914 thousand and adjusted as non-cash, remeasurement of investment in associated company at the amount of \$22,164 thousand due to the acquisition of additional 7.5% in trueGold, Business Combination listing costs at the amount of \$16,802 thousand, financial expenses due to bridge loans at the amount of \$3,800 thousand and stock-based compensation expenses at the amount of \$3,269 thousand.

Investing Activities

Net cash used in investing activities was \$190 thousand during the year ended December 31, 2024, consisted of capitalized development costs in the amount of \$169 thousand and \$21 thousand used for purchasing property, plant and equipment. Net cash used in investing activities was \$1,036 thousand during the year ended December 31, 2023, consisted of capitalized development costs in the amount of \$976 thousand and \$60 thousand used for purchasing property, plant and equipment. Net cash used in investing activities was \$1,127 thousand during the year ended December 31, 2022, and consisted of capitalized development costs in the amounts of \$975 thousand and \$152 thousand, which were used for purchasing property and equipment.

Financing Activities

Net cash provided by financing activities was \$13,110 thousand during the year ended December 31, 2024, consisted mainly of \$12,647 thousand proceeds from issuance of shares, convertible notes and warrants, and a \$1,000 loan. Net cash provided by financing activities was

\$11,954 thousand during the year ended December 31, 2023, consisted mainly of \$2,679 thousand in advance payment for equity, \$2,356 thousand in net proceeds from issuance of promissory note \$2,919 thousand for net proceeds from issuance of shares in the Business Combination net , an aggregate of \$2,630 thousand net proceeds from the issuance of shares and warrants, \$642 thousand in exercise of warrants, \$550 thousand in proceeds from issuance of bridge loans and warrants and \$250 thousand in proceeds from the issuance of a convertible note. Net cash provided by financing activities was \$3,846 thousand during the year ended December 31, 2022, consisted mainly of \$3,310 thousand in proceeds from issuance of bridge loans and warrants and \$581 thousand of proceeds from issuance of convertible notes and \$182 thousand net issuance of shares, which was partially offset by payment of \$172 thousand for loan repayment to related parties.

Current Outlook

The Company has incurred and continues to incur losses and continues to generate negative cash flows from operations since the inception in 2015. Since the Company's inception, it has not generated significant revenue from the sale of technology.

On May 7, 2025, the Company entered into the RBW Purchase Agreement with the RBW Investors to issue and sell to each of the RBW Investors the RBW Note, in the principal amount of \$6,875 thousand, and purchase price (cash in) amount of \$5,500 thousand, before transaction cost for legal and agents fees in the amount of \$855 thousand. The RBW Note carries an original issue discount (OID) of 20%, bears 0% interest per year. The RBW Investors have the right to convert the outstanding principal into Ordinary Shares at a 15% discount based on the lowest daily weighted average price during the 7 trading days before immediately prior to the date of the conversion. As of the date of this report, the Company was funded with \$1,375 thousand.

As of December 31, 2024 and December 31, 2023, the Company had \$2,343 thousand and \$168 thousand, respectively, in cash and cash equivalents, which the Company has been using and continues to use for working capital and general corporate purposes since those dates. Since December 31, 2024, the Company has raised an additional approximately \$1,625 thousand in funding from various investors. The Company does not have sufficient cash and cash equivalents, to fund its operations for the foreseeable future, and will require substantial infusion of capital to continue operations. In addition, as of December 31, 2024, the Company had outstanding approximately \$9,221 thousand in existing payables and other liabilities related to expenses of the Business Combination, an additional approximately \$8,717 thousand due and owing to other lenders and investors, and an additional other payables of approximately \$2,781 thousand to be due and owing for employee salaries and other related expenses, and other accrued suppliers and services providers. The Company expects to fund the payment of such amounts out of ongoing activities of the Company and other capital raisings the Company is pursuing in 2025. Further, the Company's operating plans may change as a result of many factors that may currently be unknown to it, and it may need to seek additional funds sooner than planned. Our financial statements for the year ended December 31, 2024 contain an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. This going concern assessment may prevent us from obtaining new financing on reasonable terms, if at all, and imperil our ability to continue operating as a going concern. The Company's future capital requirements will depend on several factors, including:

- commercial scaling and initial deployment of the technology, along with the progress and costs of our research and development activities;
- the costs of filing, prosecuting, enforcing and defending patent claims and other intellectual property rights;
- the potential costs of contracting with third parties to provide marketing and distribution services for us or for building such capacities internally; and
- the magnitude of our general and administrative expenses.

When and until the Company starts to generate significant recurring revenues and profit, the Company expects to satisfy its future cash needs through capital raising and shareholders' financial support. The Company cannot be certain that additional funding will be available when needed, on acceptable terms, if at all. The Company's outstanding warrants are generally either out of money or have nominal exercise prices; accordingly, the Company does not expect to raise any material additional funds from the exercise of outstanding warrants in at least the short-term. If funds are not available, the Company may be required to delay or reduce the scope of research or development plans.

We can give no assurances that we will be able to secure additional sources of funds to support our operations on acceptable terms, or at all, or, if such funds are available to us, that such additional financing will be sufficient to meet our needs. If we raise additional funds by issuing equity or convertible debt securities, it could result in dilution to our existing stockholders or increased fixed payment obligations. In addition, as a condition to providing additional funds to us, future investors may demand, and may be granted, rights superior to those of existing stockholders. If we incur additional indebtedness, we could become subject to covenants that would restrict our operations and potentially impair our competitiveness, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. Additionally, any future collaborations we enter into with third parties may provide capital in the near term but may not be on terms that are favorable to us. Any of the foregoing could significantly harm our business, financial condition and results of operations. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may be required to reduce the scope of the commercialization of our planned products or delay, scale back or discontinue the development of one or more of our product candidates.

We may also need to take certain other actions to allow us to maintain our projected cash and projected financial position, including but not limited to additional reductions in general and administrative costs, sales and marketing costs, and other discretionary costs. Although we believe such plans, if executed and coupled with the above-described sources of liquidity, should provide us with financing to meet our needs, successful completion of such plans is dependent on factors outside of our control.

We anticipate that we will continue to incur net losses into the foreseeable future as we continue our development of our product candidates and expand our corporate infrastructure.

Going Concern

Our financial statements for the year ended December 31, 2024, contain an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. This going concern assessment may prevent us from obtaining new financing on reasonable terms, if at all, and imperil our ability to continue operating as a going concern.

Contractual Obligations

Abri Advisors Loan Agreement

On December 27, 2024, the Company entered into a Loan Agreement, dated as of December 27, 2024 (the “Abri Loan Agreement”), with Abri Advisors Ltd. (“Abri”), pursuant to which the Company borrowed \$1,000,000 from Abri.

Pursuant to the Abri Loan Agreement, the Company agrees to pay to Abri at the June 30, 2025 maturity date, \$1,400,000, which represents an original issue discount of 28.577%, plus interest on such amount at an absolute rate of 15%.

During the period when any amounts under the Abri Loan Agreement are outstanding and remain due and payable, the Company shall not issue any other form of debt instrument ranking senior or pari passu to or with the obligations under the Abri Loan Agreement, whether in terms of payment or collateral, without the express prior written consent of Abri.

Additionally, during the period when any amounts under the Abri Loan Agreement are outstanding and remain due and payable, if the Company undertakes, completes, agrees to complete, commits to complete, or otherwise sells any equity, or other securities fungible in any way into equity, warrants, options, preferred shares, convertible preferred shares, or any other form of equity-related instrument of the Company (a “Financing”), then the Company shall repay twenty percent (25.0%) of the then loan balance within three business days from the closing date of the Financing (a “Financing Repayment”). A Financing Repayment shall not reduce or otherwise diminish the amount due under the Abri Loan Agreement at the maturity of the loan, irrespective of the date of the Financing Repayment.

The Abri Loan Agreement contains customary Events of Default (as defined in the Abri Loan Agreement) for transactions similar to the transactions contemplated by the Abri Loan Agreement. In the event of an Event of Default, subject to a three-day cure period, the loan balance due plus any Refinancing Repayment that may be due, then multiplied by 150%, shall become immediately due and payable by the Company to Abri (the “Abri Default Payment Amount”). The Abri Default Payment Amount shall compound interest at a monthly rate of 5.0% from the date it becomes due and payable up and until the date of payment.

Private Placement Transaction

On September 11, 2024, the Company entered into a private placement transaction (the “Aegis Private Placement”), pursuant to a securities purchase agreement and a registration rights agreement with certain institutional investors (the “Aegis Purchasers”) for aggregate gross proceeds of \$5,350 thousand, before deducting fees to the placement agents and other expenses payable by the Company in connection with the Aegis Private Placement. Of the gross proceeds, 20%, or \$1,072 thousand, was held in escrow and repaid to the Aegis Purchasers pursuant to certain circumstances during the terms of the Series A Common Warrants (described below). The Company was unable to satisfy certain of the specified circumstances and did not receive the \$1,072 thousand from escrow. As such, the Company received gross proceeds of \$4,278 thousand. The Company used the net proceeds from the Aegis Private Placement for general corporate purposes and for working capital purposes. Aegis Capital Corp. (“Aegis”), acted as the lead placement agent and ClearThink Securities acted as a co-placement agent for the Aegis Private Placement.

The offering consisted of the sale of 187,719 Common Units (or Pre-Funded Units), each consisting of one Ordinary Share or Pre-Funded Warrant, two Series A Common Warrants, and one Series B Common Warrant. The public offering price per Common Unit was \$1.00 (or \$0.9999 for each Pre-Funded Unit, which is equal to the public offering price per Common Unit to be sold in the offering minus an exercise price of \$0.0001 per Pre-Funded Warrant).

The Pre-Funded Warrants were immediately exercisable subject to registration and could be exercised at any time until exercised in full. For each Pre-Funded Unit sold in the offering, the number of Common Units in the offering was decreased on a one-for-one basis. As of the date of this Report, 55,789 Ordinary Shares have been issued and 131,930 Pre-Funded Warrants have been exercised.

Each Series A Common Warrant was exercisable into one Ordinary Share per warrant at an exercise price of \$13.95, subject to adjustment. The initial exercise price of each Series A Common Warrant was \$1.00 per Ordinary Share. The Series A Common Warrants were exercisable immediately subject to registration and expire 66 months after the initial issuance date. The number of securities issuable under the Series A Common Warrant was subject to adjustment. Post-adjustment, the number of securities issuable under the Series A Common Warrants in the aggregate is 766,201. The post-adjustment exercise price of each Series A Common Warrant is \$0.49. As of the date of this Report, the balance of the unexercised Series A Common Warrants is 488,762.

Each Series B Common Warrant was exercisable into such number of Ordinary Shares as determined in the Series B Warrant. The initial exercise price of each Series B Common Warrant was \$0.00001 per Ordinary Share. The number of Ordinary Shares issuable under the Series B Warrants was subject to adjustment to be determined pursuant to the trading price of the Ordinary Shares following the effectiveness of a resale registration statement that the Company filed on behalf the Aegis Purchasers. Post-adjustment, the number of securities issuable under the Series B Common Warrant is 195,381. The post-adjustment exercise price of each Series B Common Warrant is \$0.0001. As of the date of this Report, 195,381 Series B Common Warrants have been exercised.

The Company also entered into a Placement Agent Agreement with Aegis as lead placement agent, dated September 11, 2024, pursuant to which Aegis agreed to serve as the placement agent for the Company in connection with the Aegis Private Placement. The Company agreed to pay Aegis a cash placement fee equal to 10.0% of the gross cash proceeds received in the Aegis Private Placement, and a 3% commission of the proceeds from any cash exercise of the Series A Common Warrant. The Company also committed to pay ClearThink Securities a cash placement fee equal to 2.0% of the gross cash proceeds received in the Aegis Private Placement. As of December 31, 2024, the fair value of the 3% Series A Common Warrant provision was \$59 thousand.

Promissory Note Financing

The Company entered into transactions pursuant to a Securities Purchase Agreement, dated August 30, 2024 (“1800 SPA”), with 1800 Diagonal and issued and sold to an 1800 Diagonal a promissory note (“August Note”), for gross proceeds to the Company of \$194.5 thousand, before deducting fees and other offering expenses payable by the Company. The Company used the net proceeds from the sale of the August Note for general working capital purposes.

The August Note was in the principal amount of \$223.7 thousand, which included an original issue discount of \$29.2 thousand. A one-time interest charge of 10%, or \$22.4 thousand was applied to the principal. The maturity date of the August Note is June 30, 2025.

The accrued, unpaid interest and outstanding principle, subject to adjustment, shall be paid in five payments as follows: (1) on February 28, 2025, \$123 thousand; (2) on March 30, 2025, \$30.7 thousand; (3) on April 30, 2025, \$30.7 thousand; (4) on May 30, 2025, \$30.7 thousand; and (5) on June 30, 2025, \$30.7 thousand.

Through February 26, 2025, the Company may prepay the August Note in full at a 2% discount.

The August Note contains customary events of default for transactions similar to the transactions contemplated by the 1800 SPA and the promissory note. In the event of an Event of Default (as defined in the 1800 SPA and August Note), (i) the promissory note shall become immediately due and payable, (ii) the principal and interest balance of the August Note shall be increased by 150% and (ii) the August Note may be converted into Ordinary Shares of the Company at the sole discretion of 1800 Diagonal. The conversion price shall equal the lowest closing bid price of the Ordinary Shares during the prior ten trading day period multiplied by 75% (representing a 25% discount). Any such conversion is subject to customary conversion limitations set forth in the promissory note so 1800 Diagonal beneficially owns less than 4.99% of the Company's Ordinary Shares. 1800 Diagonal shall be entitled to deduct \$1.5 thousands from the conversion amount in each notice of conversion to cover 1800 Diagonal's deposit fees associated with each notice of conversion.

The Company paid to ClearThink Securities as placement agent, approximately \$18 thousands in cash fees in relation to the transactions contemplated by the 1800 SPA.

As of December 31, 2024, the August Note amounted to \$268 thousand.

Alpha

On April 11, 2024 (the "April Effective Date"), the Company consummated the transactions pursuant to a Securities Purchase Agreement ("April SPA") and issued and sold to Alpha a promissory note ("April Note") and warrants (the "April Warrants"), for gross proceeds to the Company of approximately \$2.0 million, before deducting fees and other offering expenses payable by the Company. Notwithstanding such consummation of the transactions, funding of the proceeds occurred on or about April 15, 2024. The Company used the net proceeds from the sale of the April Note to repay approximately \$425,000 of certain amounts owed by the Company, and for working capital and general corporate purposes.

The April Note was in the principal amount of \$2,250,000. The actual amount loaned by Alpha pursuant to the April Note is approximately \$2.0 million after a 10% original issue discount. Alpha had the right, at any time, to convert all or any portion of the then outstanding and unpaid principal amount and interest (including any costs, fees and charges) into the Company's Ordinary Shares, at a fixed conversion price of \$513 per share, subject to customary adjustments as provided in the April Note including for fundamental transactions.

The April Warrants, for 5,532 Ordinary Shares, had an exercise price of \$336, subject to customary adjustments and certain price-based anti-dilution protections, and could be exercised at any time until the five and one-half year anniversary of the April Warrants. The April Warrants also could be exercised pursuant to a cashless or net exercise provision.

Also on the April Effective Date, as a further inducement of the Company for Alpha to enter into the transaction, the Company entered into a Warrant Amendment and Inducement Letter with Alpha, with respect to its outstanding "B" warrants of the Company to purchase 1,225 Ordinary Shares. The outstanding "B" warrants were issued to Alpha as of September 6, 2023 pursuant to a Securities Purchase Agreement dated as of September 5, 2023 and had a fixed exercise price of \$3,501 per share. Pursuant to the Warrant Amendment and Inducement Letter, Alpha agreed to exercise for cash the outstanding "B" warrants in full at a reduced exercise price of \$4.71 per share, or approximately \$5,762.

The Company paid to EF Hutton LLC as placement agent, approximately \$20,000 in cash fees in relation to the transactions contemplated by the April SPA.

On April 19, 2024, the Company entered into the Alpha SPA, pursuant to which Alpha committed to purchase from the Company up to \$30,000,000 of our Ordinary Shares, subject to the terms and conditions specified in the Alpha SPA. The Company entering into the Alpha SPA was a condition of the April SPA.

Subject to the terms and conditions of the Alpha SPA, the Company had the right from time to time at its discretion, any time after the three month anniversary of the shares underlying the Alpha SPA being registered for resale, to direct Alpha to purchase a specified amount of Ordinary Shares (each such sale, a "Put") by delivering written notice to Alpha (each, a "Put Notice").

The Company agreed to pay a commitment fee to Alpha equal to 1.5% of the commitment amount, payable in shares, or 36,341 Ordinary Shares.

On June 6, 2024, the Company entered into an amendment (the "Alpha Amendment") to the Alpha SPA. The purpose of the Alpha Amendment was to clarify that the maximum amount that can be raised per month under the Alpha SPA is \$833,333, and not \$500,000 as specified in the Alpha SPA.

On July 19, 2024, the Company consummated the transactions pursuant to a Securities Purchase Agreement (“Alpha July SPA”) and issued and sold to Alpha a promissory note (the “Alpha Note”) and warrants (the “Alpha Warrant”), for gross proceeds to the Company of \$747.5 thousands, before deducting fees and other offering expenses payable by the Company. Funding of the proceeds occurred on or about July 26, 2024. The Company used the net proceeds from the sale of the Alpha Note for working capital and general corporate purposes. The Alpha Note is in the principal amount of \$1,150 thousands (the “Alpha Principal Amount”) and carried an original issue discount of 35%.

Alpha had the right, at any time, to convert all or any portion of the then outstanding and unpaid Alpha Principal Amount and interest (including any costs, fees and charges) into the Company’s Ordinary Shares, at a conversion price equal to the lesser of \$174 or 80% of the lowest volume weighted average price of the Company’s Ordinary Shares during the twenty trading days prior to the conversion, subject to customary adjustments as provided in the Alpha Note including for fundamental transactions.

Pursuant to the Alpha July SPA, the Company issued to Alpha the Alpha Warrant to purchase up to 7,317 Ordinary Shares, with an exercise price of \$178 per share, subject to customary adjustments and certain price-based anti-dilution protections, and could be exercised at any time until the five and one-half year anniversary of the Alpha Warrant.

On April 2, 2025, the Company entered into an Agreement and Release (the “Alpha Release Agreement”) with Alpha, with respect to certain potential disputes the Company had with Alpha regarding loans Alpha made to the Company in 2024. Pursuant to the Alpha Release, the outstanding amounts owed under the April Note, was adjusted to equal \$1,921 thousand, which amount was then automatically deemed converted into 408,551 Ordinary Shares of the Company at a conversion price per share of \$4.70250014886352. The Company agreed to defer the issuance of an aggregate of 265,215 of such shares pursuant to the terms of the Alpha Release.

As a result of the Alpha Release and the transactions contemplated in the Alpha Release, all indebtedness as between the Company and Alpha has been deemed repaid in full and none of such loans are in any way in further force or effect. The Agreement provides that each party fully releases the other for any and all claims against the other, other than with respect to claims to enforce the Agreement and as otherwise provided in the Agreement.

As of the date of this Report, all of the July Warrants fair value were converted to 7,188 ordinary shares, the Alpha Note and the April Note have been fully converted and the Company issued to Alpha all Ordinary Shares committed under the April SPA and Alpha July SPA, and all the April Warrants were converted into Ordinary Shares of the Company.

On May 9, 2025, the Company terminated to Alpha SPA in order to facilitate the RBW Purchase Agreement.

PMB Partners

On July 10, 2024, the Company entered into the PMB LOI as part of the Company’s ongoing efforts to satisfy its existing liabilities while conserving cash. Pursuant to the PMB LOI, among other things,

- The existing indebtedness the Company owes to PMB was \$1.3 million (the “PMB Total Outstanding Debt”), and was reorganized so that:
 - \$800,000 of which will be evidenced by a new convertible promissory note (“\$800,000 Note”) that (i) was subject to 15% interest (20% default interest), (ii) had a maturity date of December 31, 2024, (iii) was subject to a mandatory prepayment provision from the proceeds of any raising of debt or equity in an amount equal to or in excess of \$10,000,000 in the aggregate in one or more occasions from the July 10, 2024, (iv) was able to be converted at the election of the Company into up to 2,673 Ordinary Shares of the Company at a conversion price per share of \$299.25 and (v) was subject to conversion limitations so that PMB shall not own in excess of 19.7% of voting power of the Company; and
 - \$500,000 of which was evidenced by a new non-convertible promissory note (“\$500,000 Note”, and together with the \$800,000 Note, the “Senior Promissory Notes”) that (i) was subject to 15% interest (20% default interest), (ii) had a maturity date of December 31, 2024 and (iii) was subject to certain tax gross-ups of up to \$35,000; and
- PMB exchanged the 11,833 shares it owned in trueGold for 1,021 Ordinary Shares of the Company.
- The Company issued 1,817 Ordinary Shares of the Company as consideration for PMB entering into the PMB LOI, irrevocably waiving certain clawback rights held by PMB as of July 10, 2024 and releasing a pledge of shares issued by trueGold as collateral for the payment in full of the PMB Total Outstanding Debt. As a result, the Company’s holdings in trueGold increased to 52.9%.

The definitive agreements related to the above described transactions, consisting of a subscription agreement, a notes exchange agreement, a share exchange agreement, the Senior Promissory Notes (collectively, the “PMB Definitive Agreements”), with terms consistent with the PMB LOI were all dated as of September 4, 2024 and executed and delivered on or about September 9, 2024.

On May 13, 2025 and effective March 31, 2025, the Company entered into an Amendment #2 to Promissory Note (“Second Amendment”) and an Amendment #2 to Senior Note (“Senior Note Second Amendment”) with PMB. The Second Amendment and the Senior Note Second Amendment amended the maturity date of the Senior Promissory Notes to November 30, 2025 and amended the interest rates of the Senior Promissory Notes to 18% per annum. In addition, all accrued and unpaid interest was capitalized and added to the principal of the applicable Senior Promissory Note.

Share Issuances to Certain Debtholders

In July 2024, pursuant to Conversion and Exchange Rights Agreements, the Company issued an aggregate of 1,904 Ordinary Shares to certain former debtholders of the Company upon conversion and settlement of an aggregate of \$110,000 and AUD859,500 of liabilities owed to

the debtholders. Furthermore, the Company issued 32 5-year warrants to one of the debtholders at an exercise price per share of \$4.71. As a part of the exchange and conversion, the Company and the former debtholders entered into a Shareholder Voting Agreement.

The issuance of the Ordinary Shares and warrants in exchange for the cancellation and forgiveness of the indebtedness was part of the Company's ongoing efforts to satisfy its existing liabilities while conserving cash.

\$2,910,000 Offering

On February 16, 2024, the Company entered into an underwriting agreement (the “Underwriting Agreement”) with EF Hutton LLC (the “Underwriter”) relating to the public offering of approximately 5,672 Ordinary Shares of the Company, at a subscription price per share of \$513.

On February 20, 2024, the Company closed an underwritten public offering of securities for gross proceeds of approximately \$2.91 million, prior to deducting underwriting discounts and commissions and offering expenses payable by the Company (the “EF Hutton Offering”). The EF Hutton Offering was pursuant to the Underwriting Agreement relating to the public offering of 425,427 Ordinary Shares at a subscription price per share of \$6.84. Additionally, to the extent that the purchase of such shares would cause the beneficial ownership of a purchaser in the EF Hutton Offering, together with its affiliates and certain related parties, to exceed 4.99% of the Ordinary Shares, the Company agrees to issue the underwriter, for delivery to such purchasers, at the election of the purchasers, a number of pre-funded warrants which are initially convertible on a 1-for-1 basis into Ordinary Shares, at a price per pre-funded warrant of \$6.78 (100% of the public offering price allocated to each firm share less \$0.06).

The net proceeds to the Company upon the closing of the EF Hutton Offering, after deducting the underwriting commissions and estimated offering expenses payable by the Company, were approximately \$2.66 million. The Company used the net proceeds from the offering for (i) sales and marketing; (ii) payment of certain outstanding liabilities and working capital; and (iii) digital branding consulting services. The Company entered into various agreements with consultants to provide the marketing and digital branding consulting services, effective as of the closing of the EF Hutton Offering (described below).

Pursuant to the Underwriting Agreement, the Company paid the underwriter a cash fee equal to 2.5% of the gross proceeds of the EF Hutton Offering, and also paid \$100,000 of expenses of the underwriter in connection with the EF Hutton Offering.

As of December 31, 2024, the Company issued 1,620 ordinary shares at a subscription price per share of \$513 and 4,052 ordinary shares due to Pre-Funded Warrants exercise at a price per Pre-Funded Warrant of \$508.

Letter Agreement with Yorkville

In February 2023, we entered into the Yorkville SEPA with Yorkville, whereby we had the right, but not the obligation, to sell to Yorkville up to \$25.0 million of our Ordinary Shares at our request, subject to the terms therein. We received as loans Pre-Paid Advances (as defined in the Yorkville SEPA) of \$3.5 million, all of which as of April 29, 2024, were converted into our Ordinary Shares or repaid in cash.

On February 2, 2024, the Company entered into a Letter Agreement with Yorkville, dated February 1, 2024 (the “Yorkville Letter Agreement”), which amends and supplements the Yorkville SEPA pursuant to which, among other things, Yorkville advanced to the Company pre-paid advances in the aggregate of \$2 million evidenced by a convertible promissory note issued to Yorkville dated May 23, 2023 as amended by that Letter Agreement dated July 27, 2023. The Company further agreed to issue to Yorkville a 5-year warrant to purchase 8,772 Ordinary Shares of the Company at an exercise price of \$0.06 per share.

On April 13, 2024, the Company exercised its right of termination under the Yorkville SEPA and sent to Yorkville a termination notice, which became effective on or about April 19, 2024.

Leases

SMX Israel is a party to a lease agreement dated January 14, 2020, and amended as of December 24, 2020 (the “Lease”). Under the Lease, SMX Israel is obligated to pay ILS 253 thousand plus VAT per year. The Lease will expire on May 31, 2027, with an additional option of 5 years, unless terminated by the landlord due to a requirement of a governmental authority to modify or terminate the Lease, pursuant to the terms of the lease.

Borrowings

See “*Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Contractual Obligations – Abri Advisors Loan Agreement - Promissory Note Financing, - Alpha, and - PMB Partners,*” above, which are incorporated in their entirety into this “Borrowings” section.

LP Convertible Note

On January 25, 2023, the Company received an amount of \$250,000 in consideration for issuance of a convertible note (the “LP Convertible Note”) and two types of warrants, to Lee Pinkerton (“LP”). The LP Convertible Note is in the principal amount is \$250,000 and the maturity date is the earlier of December 31, 2024, and the date of any change in control (excluding the Business Combination). The Convertible Note has an interest rate of 15% per annum and shall be converted into Ordinary Shares at LP’s discretion, at a fixed conversion price of \$470,250 per ordinary share. In addition, the Company has the right to satisfy the payment of the principal amount of the LP Convertible Note through the issuance of the Company’s Ordinary Shares at a 20% discount to the 20 trading day VWAP preceding the maturity date.

As part of the LP Convertible Note transaction, the LP was granted two types of warrants: (i) 0.27 bonus warrants to purchase Ordinary Shares at an exercise price of \$541 per share (“Bonus Warrants”); and (ii) 0.26 redeemable warrants to purchase Ordinary Shares of the Company at a purchase price of \$541 per share (“Redeemable Warrants”). The Bonus Warrants have a term of five years commencing upon the Business Combination. The Redeemable Warrants have a term of five years commencing upon the Business Combination. Additionally, 50% of the Redeemable Warrants shall be redeemable on a non-cumulative basis at the option of the holder, according to a schedule for \$235.125 per warrant. LP has the option to decide whether the Company will satisfy any or each redemption through the issuance of Ordinary Shares of the Company based upon a 20% discount to the 20-trading day VWAP preceding each such anniversary.

Bridge Loans

Security Matters PTY and the Company borrowed an aggregate of \$3,860 thousand from private investors between September 2022 and January 2023. All of such loans have an interest rate of 10% per annum. Each such lender (except for one lender which lent an amount of \$1,000 thousand which is not entitled to the redeemable warrants), further received 20% redeemable 5-year warrant coverage to subscribe for Ordinary Shares at \$540,787.50 per share, plus 5% 5-year bonus warrant coverage to subscribe for Ordinary Shares at \$540,787.50 per share and a first priority security interest in the shares of Security Matters PTY’s interest in trueGold. In March 2023, the Company signed an addendum to the Bridge Loans agreements which converted \$1,350 thousand into 408 Ordinary Shares and deferred the remaining cash payments to March 31, 2024.

On September 6, 2023, the Company entered into the transactions pursuant to a Securities Purchase Agreement dated as of September 5, 2023 and issued and sold to an institutional investor a promissory note with a fixed conversion price of \$3,501 and warrants, for gross proceeds to the Company of approximately \$2,500 thousand, before deducting fees and other offering expenses payable by the Company. The note is in the principal amount of \$4,290 thousand. The actual amount loaned by the investor pursuant to the Note is \$2,574 thousand after a 40% original issue discount. Additionally, as part of the transaction, the Company issued two warrants to the Investor, an “A” Warrant and a “B” Warrant. The A Warrant for 1,838 Ordinary Shares has an exercise price of \$4.70 per share, subject to customary adjustments, and may be exercised at any time until the five-year anniversary of the A Warrant. The B Warrant for 1,225 Ordinary Shares has an exercise price of \$3,501 per share, subject to customary adjustments, and may be exercised at any time until the five-year anniversary of the B Warrant.

As of December 31, 2024, the investor converted all of the principal amount of the convertible promissory note into an aggregate of 1,225 Ordinary Shares and exercised all warrant A’s and B’s into Ordinary Shares of the Company.

Kamea

On September 19, 2023, the Company amended its loan agreements dated September 7, 2015, by and between the Company, its shareholders and Kamea Fund. Pursuant to the amendment to the loan agreements, Kamea agreed to convert \$657 thousand of indebtedness under the loan agreements into 227 ordinary shares of the Company, as payment in full for such indebtedness; provided however, that in the event the proceeds received from Kamea with respect to any sales of the shares are not at least equal to the indebtedness amount, the Company will remain liable to Kamea for the balance of the indebtedness amount. In accordance with management’s estimation the fair value of this indebtedness as of December 31, 2024 was \$21.

Government Grants

As of December 31, 2024 and December 31, 2023, the Company has a contingent liability of \$146 thousand and \$153 thousand, respectively, for government grants it received for the use of research and development activities from Israel Innovation Authority (IIA). The Company is subject to paying 3% of its relevant revenues for the first three years, and 4% of the relevant revenues for further years, until repayment of the entire grant.

Isorad License Agreement

In January 2015, the Company entered into the Isorad License Agreement, according to which the Company was granted technological license in return for future royalties based on 2.2% of gross sales by the Company and its affiliates and after 25 years the license becomes royalty-free. Upon the occurrence of the next M&A event (as such event is defined in such agreement to include mergers, sale of all or substantially all the assets of ours and similar event) Security Matters PTY is to pay a cash amount equal to 1.5% of the Exit Consideration (as such term is defined in such agreement). Additionally, Isorad was issued 864,000 options to purchase shares of Security Matters PTY and is entitled to receive 1% of any amount actually received against equity or other funding convertible into equity at the closing of the transaction and any amount actually received against equity or other funding during a period of 13 months thereafter (to be paid after reaching an aggregated received amount of \$27 million, or at the end of such 13 months, the earlier thereof). This will not apply to any future offer of shares, merger or sale of assets thereafter. As of December 31, 2024, based on the funds the Company actually received, the Company recognized a technology license intellectual property asset at the amount of \$158 thousand against a liability that reflects the due amount.

Warrant Reset Offer

On December 8, 2023, the Company consummated an inducement offer letter agreement with certain holders of the Company's outstanding Warrant Bs to purchase Ordinary Shares of the Company. The Warrant Bs were issued on June 27, 2022 and had an exercise price of \$11,286 per share. Pursuant to the inducement letter, the holders agreed to exercise for cash their Warrant Bs to purchase an aggregate of 284 Ordinary Shares at a reduced exercise price of \$2,458 per share in consideration for the Company's agreement to issue new warrants to purchase, in the aggregate, up to 425 of the Company's Ordinary Shares at an exercise price of either (i) \$4.7025 per share in an amount not to exceed 75% of the new warrant shares, or (ii) \$2.458 per share, in the discretion of the warrantholders. The Company received aggregate gross proceeds, before payment of transaction fees and expenses, of approximately \$1,000 from the exercise of the Warrant Bs by the holders. In January 2024, the holders of such reset warrants exercised 213 warrants pursuant to the option described above under clause (i), and as a result we issued an aggregate of 213 Ordinary Shares.

Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to market risks in the ordinary course of business. Market risk represents the risk of loss that may impact on our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily with respect to the ILS, AUD, EUR and SGD, which is discussed in detail in the following paragraph.

Foreign Currency Exchange Risk

Currency Fluctuations

The Company's operating expenses are denominated in ILS, AUD, EURO and SGD, and therefore are currently subject to foreign currency risk. We have been affected by changes in some of such rates compared to the U.S. dollar, as of December 31, 2024, the ILS increased against the U.S. dollar by approximately 0.6%, the AUD decreased against the U.S. dollar by approximately 8.5%, the EUR decreased against the U.S. dollar by approximately 5.5% and the SGD decreased against the U.S. dollar by approximately 2.6%.

The Company's policy is not to enter into any currency hedging transactions, and we cannot assure you that we will not be adversely affected by currency fluctuations in the future.

Credit Risk

Credit risk is a risk of financial loss if a counterparty or customer fails to meet its contractual obligations. We closely monitor the activities of our counterparties and control the access to its intellectual property which enables it to ensure a prompt collection. Our main financial assets are cash and cash equivalents as well as other receivables and represent the Company's maximum exposure to credit risk in connection with its financial assets. Wherever possible and commercially practical, the Company holds cash with major and sound financial institutions in Israel and Australia.

Liquidity Risk

Liquidity risk is the risk that we will encounter in meeting our obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. The Company seeks to minimize that risk by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. For more details, please refer to the section titled, "*Liquidity and Capital Resources*".

C. Research and Development, Patents and Licenses, Etc.

Research and Development

Given the varied needs of different industries, the Company's research and development processes are divided according to industry.

Plastics, Rubber and Other Materials

In 2022, Security Matters PTY completed a successful trial of marking recycled plastics by studying the impact of gravimetric and volumetric feeding methods on final Post Consumer Recyclate ("PCR"), readings. The compounding master batch and extrusion processes of these trials were performed on a pilot scale in a fully commercial and industrial facility. The Company's team demonstrated its ability to manage the process remotely, indicating the viability of industrial scale adoption.

The successful trial provides plastic manufacturer and importing companies with a proof of concept, enabling them to more accurately identify and audit, via an automated transparent reporting system, the polymer type, number of loops and the amount of recycled content despite the size and color of the plastic. As a result, the Company is positioning itself to be able to offer plastic manufacturing and importing companies the ability to promote their operations as being sustainable and environmentally friendly. Combined with its ability to digitally certify the materials, the Company is also positioning itself to offer these companies the ability to avoid human/manual-paper auditing and use technology/automated auditing, which helps to reduce the potential for human errors and can provide for cost savings.

In March 2023, the Company announced that it succeeded for the first time in verifying a marker substance for natural rubber in a tire and so throughout the entire production process. The dedicated marker technology is designed to create greater transparency along the entire value chain of tires and technical rubber products. Provided with special security features, the use of the marker substances enables the invisible marking of natural rubber with information on its geographical origin. This means, for example, that responsibly sourced natural rubber and its origin can be verified at every stage of the supply chain all the way through to the customer.

In the field test, the marker substance was added to responsibly grown latex during harvesting and withstood not only the intensive preparations involved in the production of natural rubber but also the tire manufacturing process itself. In the manufactured tire, the data was retrieved using special, purpose-built software and a reader and correctly interpreted. The appearance and performance of a bicycle tire containing the invisible marker remained unchanged.

The Company expects that the new marker technology will be used on a larger scale in the future during the process of sourcing its rubber and also to integrate it in other rubber products. As part of the industrialization of this technology, it is conceivable to link the markers with blockchain technology. This could provide additional support for tamper-free monitoring of compliance with quality standards and quality criteria along the complex supply chain of natural rubber.

On April 10, 2024, the Company announced that it has successfully completed the marking of 21 tons of natural rubber sourced in Latin America from tree to tire. The program covered the marking at the tree in Latin America through manufacturing and production in the region. The Company's marker was added to the cup lump harvesting by the farmers prior to transfer to the manufacturing centre where the 42 tons of latex was converted to 21 tons of natural rubber. The bails were then transferred to tire manufacturing for commercial car, truck and lorry tires. The tires were then sent for evaluation. The results demonstrated 100% success rates on all marked tires to have a proven verification technology for origin authentication of the natural rubber and full traceability all along the entire supply chain data and integrity from tree to tire.

Plastic Cycle Token

On November 28, 2023, the Company announced the planned launch of a plastic cycle token, scheduled for release in the end of 2025. The initiative is being designed to present a reliable, ethical digital credit platform, aiming to capitalize on billions of dollars in recyclable plastics credits in a newly created market.

The tradeable plastic cycle token is being designed to enable companies to transition towards sustainable practices, encouraging entities within and outside the plastic ecosystem, including oil producers and waste management firms, to increase recycled content utilization.

This initiative is also expected to position the Company's Plastic Cycle Token as a next-generation alternative to carbon credits, creating a new paradigm in the Impact ESG investment landscape. Each token is being designed to represent a quantifiable amount of recycled plastic using the Company's technology to physically mark the plastics, potentially offering a tangible impact on environmental circularity.

Gold and Other Metals

Gold

Security Matters PTY formed a joint initiative with Perth Mint to develop a mine-to-marketplace ethical gold supply chain technology solution. Since the incorporation of trueGold in June 2020, this research and development project aims to promote a 'mine to product' transparency solution dedicated to responsible mining of materials. Security Matters PTY's track & trace technology provides information on the origin of the materials and how they move across production and distribution chains towards recycling and back to refining.

On July 29, 2020, Security Matters PTY signed a shareholders' agreement with W.A. Mint Pty Ltd. ("Perth Mint") and trueGold. The shareholders' agreement and the ancillary agreements discuss the establishment of a new entity-trueGold-by Security Matters PTY and Perth Mint. Security Matters PTY granted to trueGold, subject to the terms of the trueGold License Agreement, an exclusive, worldwide, perpetual license to use Security Matters PTY's technology for the purpose of commercializing it within the industry comprising gold as a precious metal. Security Matters PTY owns any development of its intellectual property and, while trueGold owns all generated data it creates, trueGold granted to Security Matters PTY a free non-exclusive, irrevocable, perpetual, royalty free license to use the generated data, subject to regulatory requirements and to the extent that it relates to the Isorad License Agreement technology or Security Matters PTY's technology. The parties agreed that neither Perth Mint or Security Matters PTY are required to provide any funding to trueGold and that any investment by any of them in trueGold from time to time will be by way of in-kind contributions. Third party equity investors will contribute the working capital will fund R&D, development capital and other expenses in accordance with the business plan.

Other than with the consent of the other shareholders or between affiliates (defined, *inter alia*, as a related body corporate of a shareholder; a company in which the shareholder beneficially owns 50% or more of the issued shares) a transfer of shares will be done subject to a right of first refusal of the other shareholders, whom will also have tag-along rights and a drag-along (as elaborated below). Under the constitution (as amended in July, 2022, to add the specific right of Security Matters PTY to purchase shares before any other shareholders) any shareholder wishing to transfer shares must notify the board of directors and, before the board of directors authorize the transfer of any share or shares, the share or shares must first have been offered to Security Matters PTY (for its own benefit and unless Security Matters PTY is 50% owned by one entity), and if the Company does not notify within 30 days that it wishes to purchase, then to all other shareholders (including Security Matters PTY) at a price to be agreed on by the transferor and the directors of trueGold. If the transferor and the directors of trueGold are unable to agree on a price, the price of the relevant shares will be a price which: represents a fair market price; and is determined by expert determination administered by the Australian Disputes Centre (ADC) in accordance with the ADC Rules for Expert Determination which are operating at the time the matter is referred to ADC, which Rules are incorporated into the constitution of trueGold. The determination of such person in relation to the price of the relevant shares will be final and binding on all shareholders.

Subject to certain terms and conditions, a drag-along right is established under which where shareholders wish to dispose of all of their share to a third party that wishes to acquire 100% of trueGold and 75% or more of the aggregate number of shares on issue at that time agreed, the remaining shareholders may be forced to transfer to the third party all of the shares held by each of the remaining shareholders. In case of a deadlock (defined as a case where the board of directors disagrees on a material matter regarding the fundamental operation of trueGold or the business and cannot resolve the disagreement within 10 business days of the disagreement first arising), if the shareholders are unable to reach agreement on any matter, a dispute resolution mechanism was created.

The board of directors of trueGold was agreed to consist of not less than three and not more than seven. The board is comprised as follows: Security Matters PTY may appoint (remove or replace) up to two directors; Zeren Browne; Perth Mint may appoint (remove or replace) up to two directors; and Hugh Morgan, who is a non-executive, independent chair. A list of resolutions was set, which require a board majority including at least one Security Matters PTY appointed director and one Perth Mint appointed director. Another list of resolutions was set, which require a resolution carried by a majority of the shareholders including Security Matters PTY and Perth Mint. trueGold and Yahalom agreed to bear the payments to Soreq related thereto of 4.2% of its revenues. The Company's CEO, Mr. Haggai Alon, provides CEO services to trueGold and reports to the board of directors of trueGold, and Zeren Browne provides general manager services to trueGold.

On October 3, 2023, Security Matters PTY entered into the trueGold Investment Agreement with trueGold. Pursuant to the trueGold Investment Agreement, the AUD475,000 of indebtedness as of June 30, 2023 trueGold owes to Security Matters PTY was waived by Security Matters PTY in exchange for the issuance of the trueGold Shares such that Security Matters PTY's holdings in trueGold was increased to 51.9% of the total issued and outstanding shares of trueGold, making Security Matters PTY the majority owner of trueGold. Additionally, the trueGold License Agreement was amended to include additional intellectual property of Security Matters PTY to be licensed to trueGold thereunder. Security Matters PTY shall further supply to trueGold a credit line for research and development work by its employees of up to AUD1,000,000, free of interest and collateral.

Thereafter, on July 10, 2024, in connection with the PMB LOI, Security Matters PTY's ownership in trueGold was increased from 51.9% to 52.9%. See "*Item 4. Information of the Company – A. History and Development of the Company – PMB Partners, LP Letter of Intent*".

trueSilver

On June 7, 2023, we announced that we were in the process of creating a new subsidiary, trueSilver, and that entered into a 120-day exclusive agreement with Sunshine, to create a path to full transparency and traceability for silver products from mine site to final products and recycling and the creation of an industry standard.

In July 2023, we transferred the ownership of our wholly owned granddaughter company "Security Matters Canada Ltd." from ownership by our subsidiary Security Matters PTY to direct ownership by the Company and renamed it "TrueSilver SMX Platform Ltd".

On April 15, 2024, the Company announced the successful completion of proof of concept for ethical sourcing and authentication of silver in cooperation with Sunshine.

The Company has now successfully completed the marking of 2.2 tons of silver within Sunshine's operations. The program covered the marking of the silver raw material through continuous manufacturing processes to final products including recycling loops.

The Company's technology was added at the melting stage and the marked silver material was processed into blank (from casting, extrusion, rolling, annealing, blank cutting & recycling), and the quality of the marked intermediate material and final products was evaluated (from billet to blank and recycled blank after several cycles).

The results demonstrated 100% success rates on all marked products all along the production process (from billet to finished product) ensuring the durability and irrefutable proof of quality and Brand authentication of the silver for credible ESG reporting for stakeholders, customers, auditors, and regulators.

Non-Ferrous Metals

On November 29, 2022, Security Matters PTY signed a products distribution and SAAS reseller agreement with Sumitomo. Under such agreement, Security Matters PTY appointed Sumitomo to act as Security Matters PTY's exclusive, worldwide distributor to market and sell markers, readers and Security Matters PTY services to customers for application in the Non-Ferrous Metals Market only, subject to the customer entering into with Security Matters PTY its standard product license agreement.

The price at which Security Matters PTY shall sell products to Sumitomo and the license fee at which Security Matters PTY shall license Security Matters PTY products and Security Matters PTY service to Sumitomo shall be a discount of the invoices issued to the customers.

Generally, the agreement shall remain in effect for an initial term of five years from the effective date of first commercial sale by Security Matters PTY to Sumitomo of any products. The companies have agreed that over the coming years there is a target to reach \$35 million in sales.

Alcoholic Beverages

In December 2021, Security Matters PTY acquired all the holdings SMX Beverages Pty Ltd, a joint venture incorporated in February 2020 for the promotion of solutions in the alcoholic beverage industries including in relation to the prevention of counterfeit alcoholic beverages, circular economy concepts and packaging and supply chain within those industries. Security Matters PTY has furthered advanced progress on source tracing utilizing food-grade markers with regard to glass bottles used for alcoholic beverages and key ingredients in the production of alcoholic beverages, to include grapes, wheat, barely, and hops.

Diamonds and Precious Stones

On April 30, 2019, Security Matters PTY signed an agreement with Trifecta for the commercialization of Security Matters PTY's trace technology in the diamonds and precious stone industry. Under the terms of the agreement, Security Matters PTY and Trifecta established a new entity-Yahaloma Technologies Inc., which is equally held by Security Matters PTY and Trifecta.

Both parties covenanted not to pursue the use of Security Matters PTY's technology for diamonds and precious stones, or any other venture related to the testing of the origin of diamonds or precious stone, other than through the Yahaloma. Additionally, in agreement with Isorad, all rights in and to any intellectual property related to the diamonds and precious stones industry that is developed by or for Yahaloma is jointly owned in equal parts by the Security Matters PTY, Yahaloma and Soreq.

Security Matters PTY continues to develop the technology and will supply Yahaloma technical services. Security Matters PTY bears the cost of such R&D services but the agreed hourly costs of Security Matters PTY's staff is recorded as a shareholders loan of Security Matters PTY to Yahaloma, once the first \$250,000 to be paid by Trifecta are exhausted (which is yet to happen). Trifecta supplies Yahaloma diamonds and other raw materials, which remain in the ownership of Trifecta. If Security Matters PTY causes damage to such diamonds during the R&D process, this will be reported the Trifecta and the damage recorded as a shareholders loan of Trifecta to Yahaloma. Trifecta will supply Yahaloma services of business development. Trifecta bears the cost of such services but the agreed hourly costs of Trifecta's staff is recorded as a shareholders loan of Trifecta to Yahaloma. Management of Yahaloma is agreed to be jointly, with certain special resolutions requiring agreement of both parties. Actual day-to-day management is in Canada.

In addition to the shareholders loan extended by man-hours as stipulated above, the parties covenanted to extend up to \$1 million to Yahaloma (\$350,000 by Security Matters PTY and \$650,000 by Trifecta, with \$250,000 extended by Trifecta registered as capital and all other funds as shareholders loans). Funds were agreed to be injected upon reaching certain milestones. The Security Matters PTY loan of \$350,000 are to be injected only upon reaching future milestones and only if such funds will be required, which stage has not yet arrived. Such Security Matters PTY loan will bear an interest rate of 5% per annum. Upon Yahaloma being able to repay the shareholders loans, first a sum of \$250,000 will be repaid to Trifecta and then all other shareholders loans will be repaid pro-rata. Only after repayment of all shareholders loans will Yahaloma distribute profits.

A party may not transfer its shares to others without the prior approval of the other party other than a transfer to an affiliate (defined as an entity directly or indirectly controlled by a party or directly or indirectly controls such party or is directly or indirectly controlled by a person which also, directly or indirectly, controls such person) done after 30 days' notice to the other party, and after the affiliate agrees to adopt the agreement.

Yahaloma agreed to bear the payments to Soreq related thereto (as described in "*Gold and Other Metals*" above).

Electronics

Security Matters PTY has joined an alliance formed by six founding partners, among them the World Business Council for Sustainable Development, to set a shared vision for a circular economy for electronics, called the Circular Electronics Partnership. This group of global companies has been brought together to reduce e-waste and to commit to a roadmap for a circular economy for electronics by 2030. On December 26, 2024, the Company announced that it achieved integration of its markers in NFC and RFID chips.

Fashion

In December 2020, Security Matters PTY announced that it had launched a Fashion Sustainability Competence Centre to enable fashion brands globally, to transition successfully to a sustainable circular economy by being able to identify the origination of their raw materials and hence, recycle their own unsold and/or end-of-life merchandise (garments, footwear and accessories including sunglasses) back into new high-quality materials and new fashion merchandise. Security Matters PTY's technology is applicable across a range of materials including leather, silk, cotton, wool, coated canvas, vegan leather, polyesters, cashmere, metals (e.g., gold & metallic parts) and plastics; and its applications encompass finished leather goods, shoes, garments, and accessories. Security Matters PTY is also collaborating with several luxury fashion conglomerates on R&D projects to trace the origin of raw materials used in their supply chain and is in commercial negotiations regarding the implementation of its solution with partners in the industry.

In July 2023, we changed the name of the wholly owned subsidiary from "SMX France" to "SMX Fashion and Luxury" in anticipation for such company to be used for the fields of fashion and luxury.

On December 26, 2024, coinciding with the announcements of the Company's integration of its markers in NFC and RFID chips and the ability of the marker's coating to withstand 150 degrees Celsius, the Company identified the potential for the use of the markers in wearable technology and active wear.

Intellectual Property

The ability of the Company to develop and maintain proprietary information technology is crucial to our success. Since 2015, Security Matters PTY technology has been protected by more than 20 patent families and more than 100 patents filed around the world in various stages with respect to our marking and reading technologies. The table below lists the 20 patent families. Under each patent family, we note the countries under which such patents have been filed.

The following table provides a list of Security Matters PTY's patents that have passed the international phase (PCT) and may be publicly disclosed:

Patent Family	Countries	Type	Title and Type of Patent Protection	US Status	US App#'s	US Filing Date	US Patent #	US Publication	US Expiration Date
1	US Taiwan Japan China Europe Israel Republic of Korea	PCT	System and method for reading x-ray-fluorescence marking	Registered	15/563,756 16/709,804	Mar 2016 Mar 2016	US10539521B2 US10969351B2	Jan.2020 Apr 2021	Jul 2036 Mar 2036
2	US Australia China Europe Israel Japan Korea	PCT	Authentication of metallic objects	Registered	16/074,226	Feb 2017	US11446951B2	Sep 2022	Jan 2040
3	US Australia Europe Israel Korea	PCT	Access control system and method thereof	Published/ Pending	16/083,966	Mar 2017	US20200242865A1	Jul 2020	
4	US Australia China Europe Israel Japan Korea	PCT	A method and a system for XRF marking and reading XRF marks of electronic systems	Registered Registered	16/091,222 16/834,732	Apr 2017	US10607049B2	Mar 2020	Apr 2037
5	US Australia China Europe Austria Germany Estonia Spain Finland France Great Britain Latvia Sweden Israel Japan Korea	PCT	An XRF analyzer for identifying a plurality of solid objects, a sorting system and a sorting method thereof	Registered	US16/311,290	Jun 2021	US10967404B2	Apr 2021	Dec 2037
6	US Australia Canada Europe Israel South Africa	PCT	Method for marking and authenticating precious stones	Registered Pending	16/328,526 17/666,866	Aug 2017	US11320384B	May 2022	Oct 2038

Patent Family	Countries	Type	Title and Type of Patent Protection	US Status	US App's	US Filing Date	US Patent #	US Publication	US Expiration Date
7	US Australia China Europe Israel Korea Taiwan Japan Ukraine	PCT	X- ray fluorescence system and method for identifying samples	Registered	16/334,431	Sep 2017	US11112372B2	Sep 2021	Jun 2038
8	US Australia China Europe Israel Japan Korea	PCT	Method for Detecting Mishandling and Misuse of Food Products	Pending	16/336,712	Sep 2017	US20210321649A1	Oct 2021	
9	US Australia China Europe Israel Japan Korea	PCT	XRF-Identifiable Transparent Polymers	Registered	16/340,913	Oct 2017	US11193007B2	Dec 2021	Apr 2038
10	US Australia China Europe Israel Japan Korea	PCT	A System for Virtual Currency based on Blockchain Architecture and Physical Marking	Pending	16/609,686	May 2018	US20200184465A1	Jun 2020	
11	US Australia Europe Israel Korea - Application discontinuation	PCT	An Object Marking System for Authentication and Verification	Registered	16/609,700	May 2018	US11221305B2	Jan 2022	Oct 2038
12	US Australia Canada China Europe Israel Japan Korea	PCT	Management of Recyclable Goods and Their Source Materials	Application Filed	17/766,874	Oct 2020	WO2021070182A1	Apr 2021	
13	US Australia China Europe Hong-Kong Israel Japan Korea	PCT	Systems and Methods for Supply Chain Management and Integrity Verification Via Blockchain	Application filed	16/980,693	Mar 2019	WO2019175878A1	Sep 2019	

Patent Family	Countries	Type	Title and Type of Patent Protection	US Status	US App#’s	US Filing Date	US Patent #	US Publication	US Expiration Date
14	US Australia Azerbaijan Brazil Canada China Europe Hong-Kong Indonesia Israel Japan Korea Malaysia Singapore Uzbekistan	PCT	System and Method for Detection and Identification of Foreign Elements in a Substance	Application filed	17/285,167	Oct 2019	US20210325323A1	Oct 2021	
15	US Australia Canada Europe Israel Japan Korea	PCT	Method and System for Classification of Samples	Application filed	17/594,406	Apr 2020	WO202012969A1	Oct 2022	
16	US Australia Canada Europe Israel Japan Korea	PCT	Traceable Composite Polymers and Preparation Methods Thereof Traceable Composite Polymers and Preparation Methods Thereof for Providing Transparency in Production Value Chains	Pending Pending	17/626,916 17/626,923	Jul 2020 Jul 2020	US20220251252A1 US20220259356A1	Aug 2022 Aug 2022	Pending Pending
17	US Australia Canada Europe Israel Japan Korea	PCT	Traceable Composite Polymers and Preparation Methods Thereof Traceable Composite Polymers and Preparation Methods Thereof for Providing Transparency in Production Value Chains	Pending Pending	17/626,916 17/626,923	Jul 2020 Jul 2020	US20220251252A1 US20220259356A1	Aug 2022 Aug 2022	
18	US Australia Canada Europe Israel Japan Korea	PCT	Traceable Composite for Marking Seeds and Plants	Application Filed	17/639,397	Sep 2020	20220312711 A1	Oct 2022	
19	US Australia Canada China Europe Israel Japan Korea	PCT	Management of Recyclable Goods and Their Source Materials	Application Filed	17/769,175	Oct 2020	WO2021074919A1	Apr 2022	
20	PCT/ IL2021/050325	PCT	Device and Method for Detection of Viruses By XRF	Application filed		Mar 2021	WO2021191899A1	Sep 2021	

Abstracts

Patent Family 1:

Patent Family 2:

Authentication of metallic objects (US16/074,226, granted, expires 25/01/2040). Abstract: The present invention provides an anti-counterfeit marking technique for verifying authenticity of objects using x-ray fluorescence (XRF) analysis.

Patent Family 3:

Access control system and method thereof (US16/083,966, Pending, filed 21/03/2017). Abstract: The present invention relates to an access control system, an access object and a method for access control. The access control system comprises an access request receiving device being configured and operable for receiving an access object; the access request receiving device comprising an emitter configured and operable for irradiating the access object with a radiation having a wavelength in the range of about 10⁷12 and 10⁷9 m and a detector configured and operable for detecting a response signal from the irradiated access object; a control circuit being configured and operable to receive the response signal from the access request receiving device and process the response signal to identify spectral features indicative of an XRF signature of the access object; wherein the control circuit is adapted to generate an unlocking signal for switching a module device between a locked state and an unlocked state upon identification of the XRF signature.

Patent Family 4:

A method and a system for XRF marking and reading XRF marks of electronic systems (US10,607,049, granted, expires 04/042037, US16/834,732, granted, expires 04/12/2037). Abstract: Methods and systems for verifying compatibility of components (e.g. parts or devices) of an electronic system are disclosed. In certain embodiments the method includes: irradiating a first and second components presumably associated with the electronic system, with XRF exciting radiation, and detecting one or more XRF response signals indicative of a first and a second XRF signatures, emitted from the first and second components in response to the irradiation. Then the first and second XRF signatures are processed to determine whether they are associated with respectively a first and second XRF marking compositions on the first and second components, and the compatibility of the first and second components to the electronic system is determined/verified based on the correspondence between the first and a second XRF signatures/markings. Certain embodiments also disclose electronic systems including at least a first and a second electronic components/devices respectively having the first and second XRF marking compositions that enable verification of compatibility of the components. Certain embodiments disclose techniques for pairing the first and second components (e.g. devices) based a correspondence between the first and second XRF signatures/markings thereof. Certain embodiments disclose various calibration techniques for calibrating the XRF measurements of XRF markings applied to different substrate materials of the electronic components.

Patent Family 5:

An XRF analyzer for identifying a plurality of solid objects, a sorting system and a sorting method thereof (US10,967,404, granted, expires 04/12/2037). Abstract: The present invention discloses a novel XRF analyzer capable of simultaneously identifying the presence of a marking composition in a plurality of objects by modulating/varying the intensity of the excitation beam on the different objects and measuring the secondary radiation thereof. The XRF analyzer comprises a radiation emitter assembly adapted for emitting at least one X-Ray or Gamma-Ray excitation radiation beam having a spatial intensity distribution for simultaneously irradiating the plurality of objects; a radiation detector for detecting secondary radiation X-Ray signals arriving from a plurality of objects in response to irradiation of the objects by X-Ray or Gamma-Ray radiation, and providing data indicative of spatial intensity distribution of the detected data X-Ray signals on the plurality of objects; and a signal reading processor in communication with the detector, the processor being adapted for receiving and processing the detected response X-Ray signals to verify presence of the marking composition included at least one surface of each object of the plurality of objects.

Patent Family 6:

Method for marking and authenticating precious stones (US16/328,526, granted, expires 20/10/2038, US Divisional 17/666,866, pending, filed 08/02/2022). Abstract: Method and systems are presented for authentication of precious stones, according to their natural ID and/or predetermined markings created in the stones, based on unique characteristic radiation response of the stone to predetermined primary radiation.

Patent Family 7:

X-ray fluorescence system and method for identifying samples (US11,112,372, granted, expires 03/06/2038). Abstract: A control system and method are presented for controlling operation of an X-ray Fluorescent (XRF) system for detecting at least one material carried by a sample, for example at least one marker carried by the sample. The control system comprises: data input utility for receiving input data comprising material/marker related data about said at least one material/marker; and data processor and analyzer utility. The data processor and analyzer utility is configured and operable for analyzing the input data and determining optimal geometrical characteristics of the XRF system for optimizing operational conditions of said XRF system to maximize amount of primary X-ray radiation that reaches a predetermined region of the sample and is absorbed by a volume of said region and to maximize a portion of secondary radiation emitted from said region that reaches a detector of the XRF system; and for generating operational data to the XRF system enabling adjustment of the geometrical characteristics of the XRF system.

Patent Family 8:

Method for Detecting Mishandling and Misuse of Food Products (US16/336,712, Pending, filed 25/09/2017). Abstract: The present invention provides a method of labeling a product for human or animal use with an XRF identifiable label, the method comprising forming a pattern of at least one FDA-grade material identifiable by XRF on at least an area of the product. Wherein the pattern is optionally at least partially invisible to the naked eye and has predefined identifiable properties, wherein the product is selected from foods, therapeutics and cosmetics.

Patent Family 9:

XRF-Identifiable Transparent Polymers (US11,193,007, granted, expires 02/03/2038). Abstract: The invention provides formulations and masterbatches of a polymeric material and XRF-identifiable markers, for producing transparent elements including a polymer and at least one XRF-identifiable marker for a variety of industrial uses.

Patent Family 10:

A System for Virtual Currency based on Blockchain Architecture and Physical Marking (US16/609,686, Pending, filed 08/05/2018). Abstract: Methods and system for management of transactions of marked objects are disclosed. In an embodiment, a method for recording a marked object includes: determining specific and unique marking of the object by a reader unit; and communicating encrypted data indicative of the marking and data indicative of the marked object to at least one server system, for generating at least one record of the object and its marking thereat. The at least one server system may be a distributed blockchain system including: at least one blockchain service module adapted for recording transactions of objects in a blockchain; and at least one management service module adapted for authorization of each transaction of an object based on authentication of the transaction by: providing a reader unit with a certain reading scheme/parameters that authorize/enable the reader unit to correctly read the specific marking on the object; and obtaining from the reader unit in response, a reading data indicative of the marking being read using the reading scheme, and authenticating the object based on a match between the reading data and stored data of the object's marking which is stored by the at least one server. In turn, before carrying out a request for recordation of a transaction for the object in the blockchain, the blockchain service module is adapted to await authorization of the transaction from the management service.

Patent Family 11:

An Object Marking System for Authentication and Verification (US11,221,305, granted, expires 23/10/2038). Abstract: Systems and methods for marking of objects, such as keys/key-blanks, in a production line are disclosed. The objects are marked by applying a marking composition(s) to pre-selected areas on the surface thereof. The system includes a marking unit for dispensing a volume of marking composition in one or more localized pre-selected areas on the surface of an object to be marked; a holder/gripper for positioning the object to be marked in one or more positions relative to the marking unit so as to allow the marking unit to dispense the marking composition on the one or more pre-selected localized areas; a reading/verification unit for detecting the marking composition applied to the object thereby verifying that the objects are properly marked; an orientation sensing unit for identifying the orientation of the object to be marked relatively to the holder. The system also includes a controller configured for controlling the operation of the holder, orientation sensing unit, and the marking unit. The reading/verification unit is adapted to identify the marking composition in the one or more pre-selected areas on surface of the object by detecting an electromagnetic signal (such as XRF signal) emitted from the marking composition (e.g. in response to its illumination by X-ray or gamma-ray).

Patent Family 12:

Management of Recyclable Goods and Their Source Materials (US17/766,874, Pending, filed 07/10/2020). Abstract: Techniques for monitoring production and reuse of a recyclable material, and/or determining a currency or quality measure thereof, are disclosed. In the disclosed embodiments one or more markers are introduced into ingredient material components of the recyclable material, where the one or more markers being indicative of one or more properties of at least one of the ingredient material components. Information indicative of at least the one or more properties is recorded in a database comprising a plurality of records, each associated with at least one of the one or more markers. A signal obtained from a product comprising the recyclable material is processed for determining presence of at least one of the one or more markers, and based thereon the information recorded in at least one of the database records associated therewith, and a quality or currency measure of at least one of the ingredient material components of the recyclable material comprised in the product is determined based on the one or more properties indicative by the information.

Patent Family 13:

Systems and Methods for Supply Chain Management and Integrity Verification Via Blockchain (US16/980,693, Pending, filed 14/03/2019). Abstract: Systems and methods for managing transactions of physical objects are disclosed. The system is connectable to a first distributed ledger adapted to record object transactions associated with transactions of one or more physical objects between parties. The system includes a second distributed ledger adapted to record data indicative of object handling operations carried out with respect to the one or more physical objects; and an object handling management module adapted to authenticate handling operations carried out with respect to the one or more physical objects. The object handling management module is configured and operable for obtaining parameters of execution of the handling operations, authenticating the parameters of execution of the handling operations, and recording the authenticated handling operations in the second distributed ledger. The system thereby enables recordation of the object transactions associated with the one or more physical objects upon authenticating that the parameters of execution of the handling operations that are carried out with respect to the one or more physical objects satisfy one or more respective predetermined conditions.

Patent Family 14:

System and Method for Detection and Identification of Foreign Elements In A Substance (US17/285,167, Pending, filed 18/10/2019). Abstract: In one embodiment, a system and method for inspecting a substance to detect and identify predetermined foreign element(s) in the substance. The foreign element may carry X-ray responding material compositions, emitting X-ray signals in response to primary exciting X-ray or Gamma-ray radiation. The inspection is performed during a relative displacement between the substance and an inspection zone, defined by an overlap region between a solid angle of emission of an X-ray/Gamma-ray source and a solid angle of detection of X-ray radiation, along a predetermined movement path, as the substance moves along said path, the detected X-ray radiation includes X-ray response signals from successive portions of the substance propagating towards, through, and out of said overlap region. Measured data indicative of X-ray response signals is analyzed to identify a signal variation pattern over time indicative of a location of at least one foreign element carrying an X-ray responsive marker.

Patent Family 15:

Method and System for Classification of Samples (US17/594,406, Pending, filed 05/04/2020). Abstract: A method and system are provided for model-based analysis of samples of interest and management of sample classification. Predetermined modeled data is provided comprising data indicative of K models for respective K measurement schemes based on a predetermined function having a spectral line shape, data indicative of M characteristic vectors of M predetermined group to which different samples relate, and data indicative of a common vector of weights for the M groups. A data processor utilizes said data and operates to apply model-based processing to measured spectral data of a sample of interest using said predetermined modeled data, and generate classification data indicative of relation of said specific sample of interest to one of said M predetermined groups.

Patent Family 16:

Traceable Composite Polymers and Preparation Methods Thereof Traceable Composite Polymers and Preparation Methods Thereof for Providing Transparency In Production Value Chains (US17/626,916, Pending, filed 15/07/2020; US17/626,923, Pending, filed 15/07/2020). Abstract: The present invention is in the field of polymers comprising XRF identifiable tracers allowing information to be encoded by the polymers, and in particular polymers for conservation, restoration and retouching in artworks, electronics, coatings, plastics etc.

Patent Family 17:

Traceable Composite Polymers and Preparation Methods Thereof Traceable Composite Polymers and Preparation Methods Thereof for Providing Transparency In Production Value Chains (US17/626,923, Pending, filed 15/07/2020). Abstract: The present invention is in the field of polymers comprising identifiable tracers by spectroscopic methods such as XRF, IR, NIR and XRD allowing information to be encoded by the polymers, and in particular polymers for conservation, restoration and retouching in artworks, electronics, coatings, plastics, packaging, 3D printing, rubber, and the like.

Patent Family 18:

Traceable Composite for Marking Seeds and Plants (US17/639,397, application filed, filed 02/09/2020). Abstract: The invention concerns compositions and methods for authenticating an agricultural product.

Patent Family 19:

Management of Recyclable Goods and Their Source Materials (US17/769,175, application filed, filed 15/10/2020). Abstract: Techniques for managing production and reuse of a recyclable material are disclosed. Combination of markers introduced into one or more ingredient material components of recyclable materials are used to indicate one or more properties of at least one of the ingredient material components e.g., a type of material used, percentage of the material type in the recyclable material, and suchlike. A signal obtained from a product comprising the recyclable material can be processed to detect presence or absence of the combination of markers therein. Based on the detection of the combination of markers, information indicative of the one or more properties of the at least one ingredient material component is determined, and based on the information it is decided either about a suitable recycling process for reusing the at least one ingredient material component, or a suitable disposal process for disposing the product.

Patent Family 20:

Device and Method for Detection of Viruses by XRF (PCT/IL2021/050325, National Phase due by September 26, 2022). Abstract: The invention provides methods and tools for the directed and indirect detection of infection with micro-organisms pathogens in biological and non-biological samples, and specifically applications of XRF (X-ray fluorescence) methodology for the detection of infections with viral and bacterial pathogens responsible for the widespread epidemics in mammals and humans, including COVID-19.

D. Trend Information

Other than as described elsewhere in this Annual Report on Form 20-F, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our revenue, income from continuing operations, profitability, liquidity or capital resources, or that would cause our reported financial information not necessarily to be indicative of future operation results or financial condition.

E. Critical Accounting Estimates

Reverse Acquisition Transaction

The result of the merger between the Company and Security Matters PTY is that legally the Company owns the entire share capital of Security Matters PTY.

Accordingly, for financial reporting purposes, Security Matters PTY (the legal subsidiary) is the accounting acquirer, and the Company (the legal parent) is the accounting acquiree. The consolidated financial statements prepared following the reverse acquisition are issued under the name of the Company, but they are a continuance of the financial statements of Security Matters PTY and reflect the fair values of the assets and liabilities of the Company (the acquiree for accounting purposes), together with a deemed issuance of shares by Security Matters PTY at fair value based on the quoted opening share price of the Company in its first trading day following the closing of the business combination transaction (\$11,599 thousand), and a recapitalization of its equity. This deemed issuance of shares is in fact both an equity transaction under IAS 32 (receiving the net assets of the Company) and an equity-settled share-based payment transaction under IFRS 2 (receiving the listing status of the Company). The difference, in the amount of \$16,802 thousand, between the fair value of the shares deemed to have been issued by Security Matters PTY and the fair value of the Company's identifiable net assets represent a payment for the service of obtaining a stock exchange listing for its shares and it is therefore expensed immediately to profit or loss at the closing date.

The Company is initially consolidated in the financial statements from the Closing Date of the Business Combination. Substantially all of the assets and liabilities of the Company were comprised of marketable securities held in a trust account (\$4,921 thousand) and trade and other payables and warrants (\$10,127 thousand) respectively, with fair values that were equivalent to their carrying amounts. Below are the implications of the accounting treatment on the financial statements:

1. The assets and liabilities of Security Matters PTY have been recognized and measured in the consolidated financial statements of the Company for the year ended December 31, 2023, at their pre-combination carrying amounts.
2. The retained earnings and other equity balances recognized in the consolidated financial statements of the Company for the year ended December 31, 2023, are the retained earnings and other equity balances of Security Matters PTY immediately before the Business Combination.
3. The amount recognized as issued equity instruments in the consolidated financial statements of the Company for the year ended December 31, 2023, has been determined by adding to the issued equity of Security Matters PTY immediately before the Business Combination the fair value of the deemed issuance of shares, as described above. However, the equity structure (the number and type of shares issued) reflects the equity structure of the Company, including the shares issued by the Company through recapitalization. Accordingly, the equity structure of Security Matters PTY (issued capital and addition paid in capital) in comparative periods is restated using the exchange ratio established in the Business Combination to reflect the number and par value of shares of the Company issued in the reverse acquisition transaction.
4. The statement of comprehensive loss in the consolidated financial statements of the Company for the year ended December 31, 2023, reflects that of Security Matters PTY for the full period together with the post-acquisition results of the Company from the Closing Date. Loss per share of Security Matters PTY for periods prior to the acquisition date is restated such the denominator of the historical loss per share calculation is adjusted by multiplying the weighted-average shares used in each historically reported loss per share calculation by the exchange ratio established in the Business Combination.

trueGold Business Combination

On October 3, 2023, the Company has signed an agreement with trueGold shareholders to acquire an additional 7.5% which increased the Company's holdings to 51.9% in true-Gold and resulted in the Company's gain of control over trueGold. trueGold uses the Company's advanced next-generation technology to invisibly mark and store multiple data types at a molecular level as well as its blockchain digital platform. This strategic transaction through gaining control of trueGold diversifies the Company's operations into trueGold's pioneering ventures in research and development and revenue commercialization.

The Company previously held 44.4% of the shares of trueGold which, up to the acquisition date and the beginning of consolidation, were treated as an investment in a joint venture which accounted for under the equity method. At the time the transaction was completed, and control was obtained, the balance of the investment was remeasured at fair value of \$22,164 thousand and a gain was recognized in the amount of \$22,164 thousand, which was recorded in the statement of comprehensive loss (the carrying amount of the previous investment in trueGold was approximately nil). This fair value amount was added to the consideration transferred for the calculation of goodwill, as described below.

The Company has elected to measure the non-controlling interests in trueGold at full fair value which includes also the non-controlling interests' share in the entire goodwill of trueGold. The fair value of the non-controlling interests in trueGold was based on the fair value of trueGold as a whole, as described above, and was estimated using the discounted cash flow method of the income approach, as trueGold is a private company and therefore quoted market prices of its share were unavailable. The fair value has been determined by management with the assistance of a valuation performed by an external and independent valuation specialist using valuation techniques and assumptions as to estimates of projected net future cash flows of trueGold and estimate of the suitable discount rate for these cash flows. The significant assumptions used in estimating the fair value of trueGold are:

1. After-tax net cash flow discount rate (weighted average cost of capital) of 24.8%.
2. Terminal value cash flow multiple of 4.59 and terminal growth rate of 3%.
3. Discount for lack of marketability of 25.2% (or \$11.17), resulting in a fair value of \$33.12 per ordinary share of trueGold).

The total cost of the business combination comprised a full forgiveness of the outstanding payables from trueGold to the Company which amounted to AUD 475 thousand (approximately \$307 thousand) at acquisition date. The calculating of any goodwill upon acquisition included also the fair value of the previous investment in trueGold.

See Note 2 in the notes to our consolidated financial statements appearing elsewhere in this Annual Report for a description of critical accounting estimates.

On July 10, 2024, the Company entered into the PMB LOI. Under the PMB LOI, the Company restructured \$1.3 million of its debt owed PMB. Subsequently, the Company entered into the PMB Definitive Agreements reflecting the terms of the PMB LOI. PMB exchanged its shares in trueGold, for 1,022 (1%) Company shares, and the Company's ownership percentage in trueGold increased from 51.9% to 52.9%.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following sets forth certain information, as of May 14, 2025, concerning our executive officers and members of the Board.

Name	Age	Position
Director		
Ophir Sternberg	54	Chairman of the Board
Haggai Alon	51	Director
Amir Bader	62	Director
Pebble Sia Heui-Chieh	52	Director
Roger Meltzer	74	Director
Thomas Hawkins	64	Director
Zeren Browne	46	Director
Executive Officers		
Haggai Alon	51	Chief Executive Officer
Amir Bader	62	Interim Chief Financial Officer
Zeren Browne	46	Executive Vice President, Chief Strategy Officer, Managing Director of trueGold

Information about Directors

Ophir Sternberg. Mr. Sternberg, our Chairman, was the Chairman, President and Chief Executive Officer of Lionheart since its inception through the Business Combination. He has been our Chairman since the Business Combination, and has over 28 years of experience acquiring, developing, repositioning and investing in all segments of the real estate industry, including office, industrial, retail, hospitality, ultra-luxury residential condominiums and land acquisitions. Mr. Sternberg is the Founder and Chief Executive Officer of Miami-based Lionheart Capital, founded in 2010. Lionheart Capital is a Miami-based diversified investment firm focused on building shareholder value in high-growth companies.

Mr. Sternberg began his career assembling, acquiring and developing properties in emerging neighborhoods in New York City, which established his reputation for identifying assets with unrealized potential and combining innovative partnerships with efficient financing structures to realize above average returns. Mr. Sternberg came to the United States in 1993 after completing three years of military service within an elite combat unit for the Israeli Defense Forces.

Under Mr. Sternberg's leadership, Lionheart Capital executed numerous prominent real estate transactions and repositions, including The Ritz-Carlton Residences in Miami Beach, which resulted in a total sell-out value in excess of \$550 million, as well as purchase of the development's site, the former Miami Heart Institute. Additionally, Mr. Sternberg led the \$120 million sale of The Seagull Hotel, making it the highest grossing hotel sale of 2020 in Miami Beach. Mr. Sternberg and Lionheart Capital are currently in development on a number of other projects, including retail properties in Miami's fashion and culture epicenter, The Design District. In addition to The Ritz-Carlton Residences, Miami Beach, Lionheart Capital also developed The Ritz-Carlton Residences Singer Island, Palm Beach, cementing a reputation for developing high-end luxury branded properties.

In 2017, Mr. Sternberg founded Out of the Box Ventures, LLC, a Lionheart Capital subsidiary, to acquire and reposition distressed retail properties throughout the United States. With 19 properties in 14 states, Out of the Box Ventures currently controls over 5 million square feet of big box stores, shopping centers and enclosed regional mall properties with plans to improve and expand upon these acquisitions.

Mr. Sternberg and Lionheart Capital are dedicated to working with best-in-class operators and partners such as Marriot International. Lionheart Capital has been able to execute numerous, marquee transactions due largely in part to Mr. Sternberg's extensive industry relationships particularly with key institutional investors.

In March 2020, Mr. Sternberg became Chairman of Nasdaq-listed OPES which on June 30, 2020, announced a definitive agreement to merge with BurgerFi International LLC. The OPES-BurgerFi merger closed on December 16, 2020 to form BurgerFi International Inc., or BurgerFi, a fast-causal "better burger" concept that consists of approximately 120 restaurants nationally and internationally. Mr. Sternberg is the Chairman of the Nasdaq-listed company, BurgerFi (NASDAQ: BFI). The OPES team, led by Mr. Sternberg, evaluated over 50 potential targets and negotiated business combination terms with multiple candidates in a span of a few months and acquired BurgerFi at what it believed was an attractive multiple relative to its peers.

In addition, in May 2021, Lionheart Capital led a partnership group to purchase the iconic American powerboat business, Cigarette Racing Team, from its longtime owner.

In addition, since its inception in December 2019, Mr. Sternberg has been the Chairman, President and Chief Executive Officer of Nasdaq-listed Lionheart Acquisition Corporation II ("Lionheart II"), a SPAC. Lionheart II completed its initial public offering in August 2020, in which it sold an aggregate of 23,000,000 units (including the exercise of the underwriters' over-allotment option), each unit consisting of one share of Lionheart II Class A common stock and one-half of one redeemable warrant for one share of Lionheart II Class A common stock, for an offering price of \$10.00 per unit, generating aggregate proceeds of \$230,000,000. Lionheart II's units, shares of Class A common stock and warrants currently trade on Nasdaq under the symbols "LIONU," "LION" and "LIONW," respectively. On July 12, 2021, Lionheart II announced a \$32.6 billion business combination with MSP Recovery, Inc. (d/b/a LifeWallet) (NASDAQ" LIFW), a leader in data-driven solutions that recovers improperly paid benefits on behalf of Medicare, Medicaid and other commercial payers. The Lionheart II-MSP merger closed on May 23, 2022. Mr. Sternberg serves on the Board of Directors for MSP Recovery, Inc. Mr. Sternberg is qualified to serve as a director due to his extensive experience in acquiring, developing, repositioning and investing in all segments of the real estate industry.

Haggai "H" Alon. Haggai "H" Alon is the founder of Security Matters (SMX) and has served as the CEO of SMX Israel since 2015 and a director and CEO of SMX since July 2018. Mr. Alon is also the CEO and a board member of trueGold since June 2020. Mr. Alon has over 25 years of experience in commercializing technology. Haggai Alon held several roles at the Ministry of Defense and was the CEO of an economic consulting firm focusing on M&A. He has a master's degree from the Tel Aviv and Haifa Universities in international relations and political science. Out of a total of 27 patent families filed in the name of Security Matters PTY, Haggai Alon is a named inventor on 26 of them. Most of the applications that are part of these patent families are under examination, many are still unpublished. In 7 of the 26 patent families Haggai Alon is a named inventor, the patents have been issued in a variety of jurisdictions. Presently, Haggai Alon is a named inventor on 19 patents, all of which are in the public domain. He has also published a White Paper-New Plastic Economic Order: To regulate the entire value chain, not just the product, which calls for a transition to a new regulatory approach by the EU over plastics. Mr. Alon's founding of Security Matters and his experience as CEO of Security Matters since 2015 makes him a valuable asset to our board.

Amir Bader. Amir Bader is has served as the CEO of the Dairy Farm at the Golan Heights, currently the manager of one of Israel's largest dairy farms, since April 2017. Previously, Mr. Bader served as the CEO of Degenya Cooperative Agricultural Association from 2012 through 2016. Mr. Bader has been a director of SMX since July 2018. Mr. Bader and has more than 38 years of experience at managerial positions in dairy farms and other agricultural projects in Israel and Europe. Amir Bader also served as Kibbutz Degania A's business manager for five years, during that period he served as the board member of several subsidiaries and companies related to the Kibbutz. Amir Bader brings to the Company board extensive experience in the management of agricultural businesses.

Pebble Sia Huei-Chieh. Ms. Sia has been the Managing Director of Esquire Law Corporation since 2002, a niche Singapore firm she founded that specializes in cross-border mergers and acquisitions, strategic and venture capital investments, structured debt financing and equity securities, joint ventures, and general corporate and commercial law. She is Independent Non-Executive Director, Chairman, Nominating Committee, and Member, Audit Committee and Remuneration Committee, of Singapore Shipping Corporation Limited (a company listed on the Mainboard of the Singapore Exchange Limited), a car carrier ship owner, shipping and agency services; a non-executive Director of a venture investment firm for a Singapore family office; and a non-executive Director of a London-based luxury fashionwear company. She is also a non-executive director of two real estate investment companies.

Thomas Hawkins. Thomas Hawkins, a director of Lionheart until the Business Combination, previously served as a Management Consultant for MEDNAX, Inc. from February 2014 to December 2017, after serving as General Counsel and Board Secretary from April 2003 to August 2012. Prior to that, Mr. Hawkins worked for New River Capital Partners as a Partner from January 2000 to March 2003; AutoNation, Inc. as Senior Vice President of Corporate Development from May 1996 to December 1999; Viacom, Inc. as Executive Vice President from September 1994 to May 1996; and Blockbuster Entertainment Corporation as Senior Vice President, General Counsel, and Secretary from October 1989 to September 1994. Mr. Hawkins currently serves on the board of directors of the Alumni Association of the University of Michigan and Jumptuit Inc., a data analytics technology company. Mr. Hawkins also serves on the board of directors of MSP Recovery. Mr. Hawkins received his Juris Doctor from Northwestern University in 1986 and his A.B. in Political Science from the University of Michigan in 1983. Mr. Hawkins is qualified to serve as a director due to his experience as a senior executive and chief legal officer at several public companies (including his experience acquiring companies) and with counseling and serving on boards of directors.

Roger Meltzer, Esq. Mr. Meltzer practiced law at DLA Piper LLP from 2007 and held various roles: Global Co-Chairman (2015 through 2020), and currently as Chairman Emeritus; Americas Co-Chairman (2013 through 2020); Member, Office of the Chair (2011 through 2020); Member, Global Board (2008 through 2020); Co-Chairman, U.S. Executive Committee (2013 through 2020); Member, U.S. Executive Committee (2007 through 2020); and Global Co-Chairman, Corporate Finance Practice (2007 through 2015). Prior to joining DLA Piper LLP, Mr. Meltzer practiced law at Cahill Gordon & Reindel LLP from 1977 to 2007 where he was a member of the Executive Committee from 1987 through 2007, Co-Administrative Partner and Hiring Partner from 1987 through 1999, and Partner from 1984 through 2007. Mr. Meltzer currently serves on the Advisory Board of Harvard Law School Center on the Legal Profession (May 2015-Present); and the Board of Trustees, New York University Law School (September 2011-Present); and previously served on the Corporate Advisory Board, John Hopkins, Carey Business School (January 2009-December 2012). He has previously served on the board of directors of: Lionheart II Corp (March 2021 to May 2022), Lionheart III Corp (March 2021 to August 2022), Haymaker Acquisition Corp. III (February 2021 to July 2022), certain subsidiaries of Nordic Aviation Capital (December 2021 to April 2022), The Legal Aid Society (November 2013 to January 2020), Hain Celestial Group, Inc. (December 2000 to February 2020), American Lawyer Media (January 2010 to July 2014) and The Coinmach Service Corporation (December 2009 to June 2013). Mr. Meltzer has also received several awards and honors and has been actively involved in philanthropic activity throughout his career. Mr. Meltzer received Juris Doctor degree in law from New York University School of Law and an A.B. from Harvard College. In February 2021, Mr. Meltzer joined the board of directors of Haymaker Acquisition Corp. 4, a special purpose acquisition company focused on identifying and implementing value creation initiatives within the consumer and consumer-related products and services industries. In May 2022, Mr. Meltzer joined the board of directors of MSP Recovery, Inc. following its business combination with Lionheart Acquisition Corp. II. In August 2022, Mr. Meltzer joined the board of directors of the Company following the Business Combination. In April 2023, Mr. Meltzer joined the board of directors of Cyxtera Technologies, Inc., a company specializing in colocation and interconnection services, with a footprint of more than 60 data centers in over 30 markets. In November 2023, Mr. Meltzer joined the board of directors of Audacy Inc., a leading multi-platform audit content and entertainment company. Mr. Meltzer also serves on the board of directors of various private companies as well.

Zeren Browne. Ms. Browne has previously held senior management roles and led the marketing and commercial business activities for brands under luxury & lifestyle conglomerates LVMH and Estee Lauder Companies. Ms. Browne has been the Executive Vice President and Chief Strategy Officer, of the Company and its predecessors since July 2018. She was formerly the Managing Director at Malloway Pty Limited from October 2016 to July 2020 and is currently the Managing Director of trueGold since June 2020. Ms. Browne holds a Bachelor of Commerce Degree and an advanced MBA Degree from The University of Western Australia, where she was awarded the Dux and The Women in Management Scholarship. Ms. Browne brings more than 20 years' experience in global marketing and strategic brand management to our board.

Information about Executive Officers

Haggai Alon. See “*Information about Directors*” above.

Amir Bader. See “*Information about Directors*” above.

Zeren Browne. See “*Information about Directors*” above.

Family Relationships

There are no family relationships among any of our executive officers or directors.

Foreign Private Issuer Exemption

We are a “foreign private issuer,” as defined by the SEC. As a result, in accordance with Nasdaq rules, we may comply with home country governance requirements and certain exemptions thereunder rather than complying with Nasdaq corporate governance standards. While we expect to voluntarily follow most Nasdaq corporate governance rules, we may choose to take advantage of the following limited exemptions:

- Exemption from filing quarterly reports on Form 10-Q containing unaudited financial and other specified information or current reports on Form 8-K upon the occurrence of specified significant events;
- Exemption from Section 16 rules requiring insiders to file public reports of their securities ownership and trading activities and providing for liability for insiders who profit from trades in a short period of time;
- Exemption from quorum requirements for shareholder meetings;
- Exemption from the Nasdaq rules applicable to domestic issuers requiring disclosure within four business days of any determination to grant a waiver of the code of business conduct and ethics to directors and officers;
- Exemption from the requirement to obtain shareholder approval for certain issuances of securities, including shareholder approval of share option plans;

- Exemption from the requirement that our audit committee have review and oversight responsibilities over all “related party transactions,” as defined in Item 7.B of Form 20-F;
- Exemption from the requirement that our board have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities. We currently have only director who serves on the compensation committee who meets the heightened independence standards for members of a compensation committee; and
- Exemption from the requirements that director nominees are selected, or recommended for selection by our board, either by (1) independent directors constituting a majority of our board’s independent directors in a vote in which only independent directors participate, or (2) a committee comprised solely of independent directors, and that a formal written charter or board resolution, as applicable, addressing the nominations process is adopted.

Furthermore, Nasdaq Rule 5615(a)(3) provides that a foreign private issuer, such as we, may rely on home country corporate governance practices in lieu of certain of the rules in the Nasdaq Rule 5600 Series and Rule 5250(d), provided that we nevertheless comply with Nasdaq’s Notification of Noncompliance requirement (Rule 5625), the Voting Rights requirement (Rule 5640) and that we have an audit committee that satisfies Rule 5605(c)(3), consisting of committee members that meet the independence requirements of Rule 5605(c)(2)(A)(ii). The Company has elected to (a) amend its 2022 Equity Incentive Plan to increase the number of shares authorized under the plan without stockholder approval, (b) follow home country practice in lieu of the requirements under Nasdaq Rule 5635(d) to seek shareholder approval in connection with certain transactions involving the sale, issuance and potential issuance of its Ordinary Shares (or securities convertible into or exercisable for its Ordinary Shares) at a price less than certain referenced prices, if such shares equal 20% or more of the Company’s Ordinary Shares or voting power outstanding before the issuance, (c) follow home country practice in lieu of the requirements under Nasdaq Rule 5635(c) to seek shareholder approval in connection with the establishment or material amendment of a stock option or purchase plan or arrangement pursuant to which stock may be acquired by officers, directors, employees or consultants, and (d) follow home country practice in lieu of the requirements under Nasdaq Rule 5605(c)(2)(A) that require the Company to have an audit committee of at least three members.

Accordingly, our shareholders will not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of Nasdaq. We may utilize these exemptions for as long as we continue to qualify as a foreign private issuer.

Limitation on Liability and Indemnification of Directors and Officers

The Company is subject to the ICA. Subject to exceptions, the ICA does not permit a company to exempt a director or certain officers from, or indemnify a director against, liability in connection with any negligence, default, breach of duty or breach of trust by a director in relation to the company. The exceptions allow a company to (i) purchase and maintain director and officer insurance against any liability attaching in connection with any negligence, default, breach of duty or breach of trust owed to the company; and (ii) indemnify a director or other officer against any liability incurred in defending proceedings, whether civil or criminal (a) in which judgement is given in his or her favor or in which he or she is acquitted or (b) in respect of which an Irish court grants him or her relief from any such liability on the grounds that he or she acted honestly and reasonably and that, having regard to all the circumstances of the case, he or she ought fairly to be excused for the wrong concerned.

Under the Company’s Amended and Restated Memorandum and Articles of Association, subject to certain limitations and so far as may be permitted by the ICA, each director, officer or employee of the Company, and each person who is or was serving at the request of the Company as a director, officer or employee of another company, or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the Company, shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto, including any liability incurred by him or her in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him or her as a director, officer or employee of the Company or such other company, partnership, joint venture, trust or other enterprise, and in which judgment is given in his or her favor (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his or her part) or in which he or she is acquitted or in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to him or her by the court. However, any such indemnity shall not be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for fraud or dishonesty in the performance of his or her duty to the Company unless and only to the extent that the courts of Ireland or the court in which such action or suit was brought shall determine upon application that despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

At the closing of the Business Combination, the Company entered into indemnification agreements with each of its directors to provide contractual indemnification providing for indemnification and advancements by the Company of certain expenses and costs relating to claims, suits or proceedings arising from his or her service to the Company, and to Lionheart if applicable or, at Lionheart's request, service to other entities, as officers or directors occurring at or prior to the Business Combination, to the maximum extent permitted by applicable law.

The Company maintains standard policies of insurance under which coverage is provided (1) to its directors and officers against loss arising from claims made by reason of breach of duty or other wrongful act, while acting in their capacity as directors and officers of the Company, and (2) to the Company with respect to payments which may be made by the Company to such officers and directors pursuant to any indemnification provision contained in the Company's Amended and Restated Memorandum and Articles of Association or otherwise as a matter of law.

Board Leadership Structure

It is not anticipated that a policy requiring the positions of the Chairperson of the Board and Chief Executive Officer to be separate or held by the same individual will be implemented by the Board, as the Board's determination is expected to be based on circumstances existing from time to time, based on criteria that are in the Company's best interests and the best interests of its stockholders, including the composition, skills and experience of the Board and its members, specific challenges faced by the Company or the industry in which it operates and governance efficiency. If the Board convenes for a meeting, it is expected that the non-management directors will meet in one or more executive sessions, if the circumstances warrant. The Board may consider appointing a lead independent director, if the circumstances warrant.

Risk Oversight

Upon the consummation of the Business Combination, the Board administered the risk oversight function directly through the Board as a whole, as well as through its committees, where applicable, monitoring and assessing strategic risk exposure, enterprise risk, and governance risks. The audit committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures. The allocation of risk oversight responsibility may change, from time to time, based on the evolving needs of the Company.

Code of Business Conduct and Ethics

The Board adopted a Code of Ethics applicable to our directors, executive officers and team members that complies with the rules and regulations of Nasdaq and the SEC. The Code of Ethics is available on the Company's website. In addition, the Company intends to post on the Corporate Governance section of its website all disclosures that are required by law or Nasdaq listing standards concerning any amendments to, or waivers from, any provision of the Code of Ethics. The reference to the Company's website address in this Annual Report does not include or incorporate by reference the information on the Company's website into this Annual Report.

B. Compensation

The aggregate compensation paid by the Company to the Board for the fiscal year ended December 31, 2024 was approximately \$606,109. The compensation for the year ended December 31, 2024 amount included 9,548 shares and options that were granted to its directors as a group, with a value of \$606,109.

The aggregate compensation paid by the Company to the Board for the fiscal year ended December 31, 2023 was approximately \$684,000. The compensation for the year ended December 31, 2023 amount included 64 shares that were granted to its directors as a group, with a value of approximately \$147,996.

The aggregate compensation paid by the Company to its senior executive officers for the fiscal years ended December 31, 2024 and December 31, 2023 was approximately \$528,687 and \$1 million, respectively. In fiscal year 2024, we granted an aggregate of 5,047 restricted stock units and options to our executive officers, with a value of approximately \$528,687. In fiscal years 2023 and 2022, our predecessor granted stock option awards to its executive officers to acquire an aggregate of 94 of Security Matters PTY's ordinary shares, all of the options are subject to performance condition. In fiscal year 2023, we granted an aggregate of 81 restricted stock units to our executive officers, with a value of approximately \$88,891.

The Company's CEO, CFO and Executive Vice President are subject to the terms of their employment agreements with SMX Israel. The Company's interim CFO is not being paid a salary for such services. It is expected that any executive compensation program beyond existing arrangements will include:

- annual base salaries;
- performance bonus opportunities, potentially in cash and/or equity awards;
- long term incentive compensation in the form of stock options, restricted stock and stock appreciation awards, among others; and
- with regard to key executive officers, formal employment arrangements to include change of control provisions.

Independent Director Compensation

For the fiscal year ended December 31, 2024, the independent directors were granted restricted stock units and options in an amount equal to \$218, which fully vested on the grant date (partially subject to conditional acceleration clauses), and were settled in Ordinary Shares, subject to such director's continuous services as a director until such time and earlier vesting due to a change of control. In addition, each committee chair is entitled to receive an additional grant annually of restricted stock units in an amount equal to \$15,000 divided by the closing price on the last trading day of the fiscal year, subject to the same terms listed in the prior sentence. Mr. Alon and Ms. Browne will not receive any director compensation as their compensation is governed by their individual employment agreements. The Company's directors, other than Mr. Alon and Ms. Browne, were granted an aggregate of 9,548 restricted stock units and options.

2022 Incentive Equity Plan and Other Plan Options

Our Board and shareholders approved and adopted the SMX Public Limited Company 2022 Incentive Equity Plan ("2022 Incentive Equity Plan"), which was subsequently amended by the Board, which reserved for grant and authorized 5,082,417 Ordinary Shares. Additionally, pursuant to the 2022 Incentive Equity Plan, the Ordinary Shares reserved for issuance thereunder will automatically increase annually on the first day of each fiscal year beginning with the 2023 fiscal year, by an amount equal to 5% of the number of outstanding shares of the Company as of the last day of the prior fiscal year.

On August 21, 2023, the Company's Ordinary Shares began trading on a post-reverse stock split basis, whereby every twenty-two Ordinary Shares of the Company were automatically combined into one Ordinary Share. Due to this, the Ordinary Shares reserved for issuance pursuant to the 2022 Incentive Equity Plan was adjusted to 231,019 Ordinary Shares (pre- 28.5:1 reverse stock split).

The Company received stockholder approval at its 2023 annual general meeting of shareholders held on December 21, 2023, which increased the number of Ordinary Shares by 1,500,000 to a total of 1,731,019 Ordinary Shares (pre- 28.5:1 reverse stock split). The Ordinary Shares reserved for issuance under the 2022 Incentive Equity Plan was automatically increased on January 1, 2024 by 509,295 (an amount equal to 5% of the number of outstanding shares of the Company as of the last day of the 2023 fiscal year) (pre- 28.5:1 reverse stock split) for a total reserve of 2,240,313 (pre- 28.5:1 reverse stock split).

On February 29, 2024, the Board approved an aggregate grant of 20,000 (pre- 28.5:1 reverse stock split) restricted stock units to officers, directors and services providers under the 2022 Incentive Equity Plan.

On July 15, 2024, the Company's Ordinary Shares began trading on a post-reverse stock split basis, whereby every seventy-five Ordinary Shares of the Company were automatically combined into one Ordinary Share. Due to this, the Ordinary Shares reserved for issuance pursuant to the 2022 Incentive Equity Plan was adjusted to 29,871 Ordinary Shares (pre- 28.5:1 reverse stock split).

On August 29, 2024, the Company amended its 2022 Incentive Equity Plan to increase the number of authorized Ordinary Shares under the Incentive Plan to 1,524,752 from 29,871 (pre- 28.5:1 reverse stock split).

The Ordinary Shares reserved for issuance under the 2022 Incentive Equity Plan was automatically increased on January 1, 2025 by 1,657,794 (an amount equal to 5% of the number of outstanding shares of the Company as of the last day of the 2024 fiscal year), for a total reserve of 3,182,546 (pre- 28.5:1 reverse stock split).

On January 15, 2025, the Company's Ordinary Shares began trading on a post-reverse stock split basis, whereby every 28.5 Ordinary Shares of the Company were automatically combined into one Ordinary Share. Due to this, the Ordinary Shares reserved for issuance pursuant to the 2022 Incentive Equity Plan was adjusted to 111,668 Ordinary Shares

On February 24, 2025, the Company amended its 2022 Incentive Equity Plan to increase the number of authorized Ordinary Shares under the Incentive Plan to 2,396,668 from 111,668. Thereafter, the Company granted an aggregate of 1,215,000 restricted stock units and 1,070,000 stock options, to its executive officers and directors, and to certain consultants, employees and advisors to the Company.

On March 17, 2025, the Company amended the Incentive Plan, to further increase the number of authorized Ordinary Shares under the Incentive Plan to 2,531,668 from 2,396,668. Thereafter, the Company granted 135,000 half immediately and half vested on June 1, 2025, stock options to certain consultants and advisors to the Company.

As a Foreign Private Issuer, Nasdaq Rule 5615(a)(3) allows the Company to rely on home country corporate governance practices in lieu of certain of the rules in the Nasdaq Rule 5600 Series and Rule 5250(d) and, accordingly, the Company so elected to approve the amendment without stockholder approval. As a foreign private issuer, we are permitted to follow home country corporate governance practices and from time to time, have amended, and may in the future continue to amend, the 2022 Incentive Equity Plan to increase the number of shares authorized under the 2022 Incentive Equity Plan without shareholder approval.

The 2022 Incentive Equity Plan provides for the grant of options, restricted shares units, phantom shares or substitute awards or any combination of the foregoing including such other awards that may be denominated or payable in, value in whole or in part, by reference to or otherwise based upon, or related to, shares to our employees, directors, and consultants and any of our affiliates' employees and consultants.

Our Board, or any person or persons or committee to whom decision-making authority with respect to the 2022 Incentive Equity Plan is delegated by our board of directors (the "Administrator") will administer the 2022 Incentive Equity Plan.

Our Board and the Administrator have the authority to amend or suspend the 2022 Incentive Equity Plan at any time and from time to time, including to increase the number of Ordinary Shares authorized thereunder, and our Board has the authority to terminate the 2022 Incentive Equity Plan provided that such action does not materially impair the existing rights of any participant without such participant's written consent. Certain material amendments also require the approval of our shareholders.

In addition, as part of the Business Combination, we assumed an aggregate of 620 (post reverse stock splits) options originally granted under Security Matters PTY's 2018 Share Option Plan.

As of the date of this Report, an aggregate of 40,242 restricted stock units or stock options have been granted under the 2022 Incentive Equity Plan that vested or remain reserved for issuance.

C. Board Practices

Corporate Governance

The Company structured its corporate governance in a manner it believes closely aligns its interests with those of its shareholders. Notable features of this corporate governance include:

- The Company has three independent directors and independent director representation on our audit and compensation committees. Furthermore, until members of a nominating committee have been appointed, director nominees will be selected, or recommended for the Board's selection, by independent directors constituting a majority of the Board's independent directors in a vote in which only independent directors participate.
- The independent directors will meet regularly in executive sessions without the presence of our corporate officers or non-independent directors;
- The Company implemented a range of other corporate governance practices, including a robust director education program.

At this time, the Company does not have on its Audit Committee at least one member who qualifies as an "audit committee financial expert" as defined by the SEC; however, the Company believes that all of the audit committee members are able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. Additionally, at least one member of the audit committee has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, and accordingly believes that the audit committee can properly fulfill its functions and role as if at least one member was an "audit committee financial expert" as defined by the SEC.

Classified Board of Directors

In accordance with the Company's Amended and Restated Memorandum and Articles of Association, its board of directors shall be divided into three classes of directors with staggered terms depending on the class. The Board has designated Amir Bader and Thomas Hawkins as Class I Directors with terms ending in 2026, Roger Meltzer, Pebble Sia Huei-Chieh and Zeren Browne as Class II Directors with terms ending in 2027, and Haggai Alon and Ophir Sternberg as Class III Directors with terms ending in 2025.

Independence of our Board of Directors

Three of the Company's seven directors are independent as defined in Nasdaq listing standards and applicable SEC rules, and the Company's Board has an independent audit committee and a compensation committee; however, there is a vacancy on each of the audit committee and the compensation committee. Furthermore, until members of a nominating committee have been appointed, director nominees will be selected, or recommended for the Board's selection, by independent directors constituting a majority of the Board's independent directors in a vote in which only independent directors participate.

Board Committees

Audit Committee

The audit committee is responsible for, among other things:

- appointing, compensating, retaining, evaluating, terminating and overseeing our independent registered public accounting firm;
- discussing with our independent registered public accounting firm their independence from management;
- reviewing, with our independent registered public accounting firm, the scope and results of their audit;
- approving all audit and permissible non-audit services to be performed by our independent registered public accounting firm;
- overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the annual financial statements that we file with the SEC;
- overseeing our financial and accounting controls and compliance with legal and regulatory requirements;
- reviewing our policies on risk assessment and risk management;
- reviewing related person transactions; and
- establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters.

The member of the Company's audit committee is Thomas Hawkins, Chairperson.

The Company has elected to follow home country practice in lieu of the requirements under Nasdaq Rule 5605(c)(2)(A) that require the Company to have an audit committee of at least three members.

Each member of the Company's audit committee qualifies as an independent director according to the rules and regulations of the SEC and Nasdaq with respect to audit committee membership. In addition, all audit committee members meet the requirements for financial literacy under applicable SEC and Nasdaq rules. The audit committee's charter is available on the Company's website. The reference to the Company's website address in this Annual Report on Form 20-F does not include or incorporate by reference the information on the Company's website into this Annual Report on Form 20-F.

Compensation Committee

The compensation committee is responsible for, among other things:

- reviewing and approving the corporate goals and objectives, evaluating the performance of and reviewing and approving, (either alone or, if directed by the Board, in conjunction with a majority of the independent members of the Board) the compensation of our Chief Executive Officer;
- overseeing an evaluation of the performance of and reviewing and setting or making recommendations to our Board regarding the compensation of our other executive officers;
- reviewing and approving or making recommendations to our Board regarding our incentive compensation and equity-based plans, policies and programs;
- reviewing and approving all employment agreement and severance arrangements for our executive officers;
- making recommendations to our shareholders regarding the compensation of our directors; and
- retaining and overseeing any compensation consultants.

The member of the Company's compensation committee is Roger Meltzer, Chairperson, who qualifies as an independent director according to the rules and regulations of the SEC and Nasdaq with respect to compensation committee membership, including the heightened independence standards for members of a compensation committee. The Company is in the process of identifying an additional Board member to fill the vacancies for the committee positions that meets applicable Nasdaq and SEC rules and regulations. The compensation committee's charter is available on the Company's website. The reference to the Company's website address in this Annual Report on Form 20-F does not include or incorporate by reference the information on the Company's website into this Annual Report on Form 20-F.

Nominating and Corporate Governance Committee

The Company has not yet appointed members of the Board to a nominating committee. Any nominating committee would be responsible for, among other things:

- identifying individuals qualified to become members of our Board, consistent with criteria approved by our Board;
- overseeing succession planning for our Chief Executive Officer and other executive officers;
- periodically reviewing our Board's leadership structure and recommending any proposed changes to our Board;
- overseeing an annual evaluation of the effectiveness of our Board and its committees; and
- developing and recommending to our Board a set of corporate governance guidelines.

Until members of a nominating committee have been appointed, director nominees will be selected, or recommended for the Board's selection, by independent directors constituting a majority of the Board's independent directors in a vote in which only independent directors participate.

Any nominating and corporate governance committee charter would be available on the Company's website. The reference to the Company's website address in this Annual Report on Form 20-F does not include or incorporate by reference the information on the Company website into this Annual Report on Form 20-F.

D. Employees

As of May 14, 2025, the Company had 19 employees, 11 full time employees and 1 part time employees located in Israel. The Company also has 5 employees in Singapore, one in Australia and one in the United Kingdom.

None of the Company's employees are members of a union or subject to the terms of a collective bargaining agreement. In Israel, the Company is subject to certain Israeli labor laws, regulations and Labor Court precedent rulings, as well as certain provisions of collective bargaining agreements applicable to the Company by virtue of extension orders issued in accordance with relevant labor laws by the Israeli Ministry of Economy and Industry, and which apply such agreement provisions to the Company's employees even though they are not part of a union that has signed a collective bargaining agreement.

All of the Company's employment and consulting agreements include standard non-compete and intellectual property assignment provisions, as well as strict confidentiality obligations. The enforceability of non-compete provisions may be limited by Israeli law.

The Company has a diversity policy in effect, last updated and approved by the board on February 7, 2021, according to which we are committed to gender diversity across its Board, senior management team and across its entire workforce, with a particular goal of increasing the representation of women in all areas.

E. Share Ownership

For information regarding the share ownership of our directors and executive officers, see “*Item 7.A Major Shareholders*” and “*Item 6.B Compensation*” for a discussion of the 2022 Incentive Equity Plan.

F. Disclosure of a Registrant’s Action to Recover Erroneously Awarded Compensation

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Security Ownership of Certain Beneficial Owners and Management of the Company

The following table sets forth the information regarding the beneficial ownership of the Ordinary Shares as of May 14, 2025:

- each person known by the Company to be the beneficial owner of more than 5% of the Company’s Ordinary Shares; and
- each of the Company’s current executive officers and directors and all of the Company’s executive officers and directors as a group.

Beneficial ownership is determined according to the rules of the SEC, which generally provide that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power over that security, and includes shares underlying warrants and options, as applicable, that are currently exercisable or convertible or exercisable or convertible within 60 days. Ordinary Shares that may be acquired within 60 days of May 14, 2025 pursuant to the exercise of warrants or options are deemed to be outstanding for the purpose of computing the percentage ownership of such holder but are not deemed to be outstanding for computing the percentage ownership of any other person or entity shown in the table.

Unless otherwise indicated, we believe that all persons named in the table below have sole voting and investment power with respect to the Ordinary Shares beneficially owned by them.

The percentage of Ordinary Shares beneficially owned is computed on the basis of 4,652,384 Ordinary Shares outstanding on May 14, 2025.

Name and Address of Beneficial Owners	Number of Ordinary Shares	Percentage of Total Voting Power
Haggai Alon	303,175	6.35%
Ophir Sternberg(1)	303,103	6.35%
Amir Bader	70,935	1.49%
Zeren Browne(2)	171,833	3.60%
Pebble Sia Huei-Chieh (3)	151,796	3.18%
Thomas Hawkins(4)	151,833	3.18%
Roger Meltzer(5)	151,833	3.18%
All executive officers and directors as a group (7 persons)	1,304,509	27.32%

(1) Ophir Sternberg, Lionheart's Chairman, President and Chief Executive Officer, is the member of the Sponsor. Mr. Sternberg disclaims beneficial ownership over any securities owned by the Sponsor in which he does not have any pecuniary interest. Include 2,994 fully vested options that settle into Ordinary Shares upon paying exercise price of \$83.5 per option \$83.50 per option.

(2) Includes 170,000 fully vested options that settle into Ordinary Shares upon paying exercise price of \$2.48 per option. Include 1,796 fully vested options that settle into Ordinary Shares upon paying exercise price of \$83.5 per option \$83.50 per option.

(3) Includes 150,000 fully vested options that settle into Ordinary Shares upon paying exercise price of \$2.48 per option. Include 1,796 fully vested options that settle into Ordinary Shares upon paying exercise price of \$83.5 per option \$83.50 per option.

(4) Includes 150,000 fully vested options that settle into Ordinary Shares upon paying exercise price of \$2.48 per option. Include 1,796 fully vested options that settle into Ordinary Shares upon paying exercise price of \$83.5 per option \$83.50 per option.

(5) Includes 150,000 fully vested options that settle into Ordinary Shares upon paying exercise price of \$2.48 per option. Include 1,796 fully vested options that settle into Ordinary Shares upon paying exercise price of \$83.5 per option \$83.50 per option.

B. Related Party Transactions

trueGold

On July 29, 2020, Security Matters PTY signed a shareholders' agreement with Perth Mint and trueGold. The shareholders' agreement and the ancillary agreements discuss the establishment of a new entity-trueGold-by Security Matters PTY and Perth Mint. Security Matters PTY granted to trueGold, subject to the terms of the trueGold License Agreement, an exclusive, worldwide, perpetual license to use Security Matters PTY's technology for the purpose of commercializing it within the industry comprising gold as a precious metal (as elaborated below). Security Matters PTY owns any development of its intellectual property and, while trueGold owns all generated data it creates, trueGold granted to Security Matters PTY a free non-exclusive, irrevocable, perpetual, royalty free license to use the generated data, subject to regulatory requirements and to the extent that it relates to the Isorad License Agreement technology or Security Matters PTY's technology. The parties agreed that neither Perth Mint or Security Matters PTY are required to provide any funding to trueGold and that any investment by any of them in trueGold from time to time will be by way of in-kind contributions. Third party equity investors will contribute the working capital will fund R&D, development capital and other expenses in accordance with the business plan.

Other than with the consent of the other shareholders or between affiliates (defined, *inter alia*, as a related body corporate of a shareholder; a company in which the shareholder beneficially owns 50% or more of the issued shares) a transfer of shares will be done subject to a right of first refusal of the other shareholders, whom will also have tag-along rights and a drag-along (as elaborated below). Under the constitution (as amended in July, 2022, to add the specific right of Security Matters PTY to purchase shares before any other shareholders) any shareholder wishing to transfer shares must notify the board of directors and, before the board of directors authorize the transfer of any share or shares, the share or shares must first have been offered to Security Matters PTY (for its own benefit and unless Security Matters PTY is 50% owned by one entity), and if Security Matters PTY does not notify within 30 days that it wishes to purchase, then to all other shareholders (including Security Matters PTY) at a price to be agreed on by the transferor and the directors of trueGold. If the transferor and the directors of trueGold are unable to agree on a price, the price of the relevant shares will be a price which: represents a fair market price; and is determined by expert determination administered by the Australian Disputes Centre (ADC) in accordance with the ADC Rules for Expert Determination which are operating at the time the matter is referred to ADC, which Rules are incorporated into the constitution of trueGold. The determination of such person in relation to the price of the relevant shares will be final and binding on all shareholders.

Subject to certain terms and conditions, a drag-along right is established under which where shareholders wish to dispose of all of their share to a third party that wishes to acquire 100% of trueGold and 75% or more of the aggregate number of shares on issue at that time agreed, the remaining shareholders may be forced to transfer to the third party all of the shares held by each of the remaining shareholders. In case of a deadlock (defined as a case where the board of directors disagrees on a material matter regarding the fundamental operation of trueGold or the business and cannot resolve the disagreement within 10 business days of the disagreement first arising), if the shareholders are unable to reach agreement on any matter, a dispute resolution mechanism was created.

The board of directors of trueGold was agreed to consist of not less than three and not more than seven. The board is comprised as follows: Security Matters PTY may appoint (remove or replace) up to two directors; Zeren Browne; Perth Mint may appoint (remove or replace) up to two directors; and Hugh Morgan, who is a non-executive, independent chair. A list of resolutions was set, which require a board majority including at least one Security Matters PTY appointed director and one Perth Mint appointed director. Another list of resolutions was set, which require a resolution carried by a majority of the shareholders including Security Matters PTY and Perth Mint. trueGold and Yahalom (defined below) agreed to bear the payments to Soreq related thereto of 4.2% of its revenues. SMX's CEO, Mr. Haggai Alon, provides CEO services to trueGold and reports to the board of directors of trueGold, and Zeren Browne provides General Manager services to trueGold.

On October 3, 2023, Security Matters PTY entered into the trueGold Investment Agreement with trueGold. Pursuant to the trueGold Investment Agreement, the AUD475,000 of indebtedness as of June 30, 2023 trueGold owes to Security Matters PTY was waived by Security Matters PTY in exchange for the issuance of the trueGold Shares such that Security Matters PTY's holdings in trueGold shall be increased to 51.9% of the total issued and outstanding shares of trueGold, making Security Matters PTY the majority owner of trueGold. Additionally, the trueGold License Agreement was amended to include additional intellectual property of Security Matters PTY to be licensed to trueGold thereunder. Security Matters PTY shall further supply to trueGold a credit line for research and development work by its employees of up to AUD1,000,000, free of interest and collateral.

On July 10, 2024, the Company entered into the PMB LOI with PMB, which in part provided for PMB transferring the 11,833 shares it owned in trueGold, for 1,021 Ordinary Shares of the Company. Furthermore, PMB released a pledge of shares issued by trueGold. As a result, the Company's holdings in trueGold increased to 52.9%.

Business Combination

On March 7, 2023, we consummated the Business Combination. See “*Item 4. Information of the Company-History and Development of the Company-Business Combination*,” elsewhere in this Annual Report on Form 20-F, and Note 1.B. to the audited financial statements of the Company on page F-10, included in this Annual Report on Form 20-F for a discussion of the Business Combination and the related party transactions with respect to the Business Combination.

Bridge Loans

Between August 2022 to January 2023, Security Matters PTY entered into bridge loan agreements (the “Bridge Loans”) with eleven lenders, including Doron Afik and Jessica Wasserstrom, who lent Security Matters PTY an aggregate amount of \$3,860,000. The Bridge Loans have a maturity date of up to two years and bear an interest rate of 10% per annum.

In March 2023, the Company signed an addendum to the Bridge Loans agreements which converted \$1,350,000 of principal and \$1,000,000 of redeemable warrants into 408 Ordinary Shares.

On December 31, 2023, the Company signed an addendum to the Bridge Loans, which converted \$750,000 of principal and \$1,450,000 redeemable warrants into 1,886 Ordinary Shares. According to the addendum, the Company issued to the lenders an aggregate of 1,886 warrants to purchase up to an aggregate of 1,886 Ordinary Shares at an exercise price of \$2,501 per share. The warrants were exercisable immediately upon issuance and will expire three years following their issuance.

On or about January 12, 2024, but effective as of December 31, 2023, the Company issued an aggregate of 1,886 Ordinary Shares and warrants to purchase an aggregate of 1,886 Ordinary Shares, to holders (the “Note Holders”) of existing convertible notes (the “Existing Notes”) and Redeemable Warrants (the “Redeemable Warrants”), in exchange for the cancellation of an aggregate of (a) approximately \$750,000 owed to the Note Holders under the Existing Notes and (b) \$1,450,000 cash value of Redeemable Warrants. The Company also issued 214 Ordinary Shares to a service provider (the “Service Provider”) as payment in full for \$260,000 worth of services previously provided to the Company by the Service Provider.

In April 2024, the Company issued an aggregate of 323 Ordinary Shares to certain former debtholders of the Company as further consideration relating to the December 2023 conversion of their indebtedness and related obligations. Furthermore, the Company issued an aggregate of an additional 525 Ordinary Shares in April 2024 and 108 Ordinary Shares in May 2024 to those same former debtholders, for the conversion and termination of an aggregate of 4,489,938 warrants held by them.

In July 2024, pursuant to a Conversion and Exchange Rights Agreement, the Company issued an aggregate of 410 Ordinary Shares to Kyle Hoffman upon conversion and settlement of an aggregate of \$119,000 of liabilities owed to Hoffman. Furthermore, the Company issued 900 5-year warrants to Hoffman at an exercise price per share of \$0.165.

As of December 31, 2024, and December 31, 2023, the principal and the accumulated interest of the bridge loans were amounted to \$728 thousand and \$1,739 thousand respectively.

General Legal Counsel

On January 10, 2017, an affiliate of Lionheart’s Sponsor, Lionheart Equities, LLC (“Lionheart Equities”), engaged Jessica L. Wasserstrom, LLC (“Wasserstrom”), to represent Lionheart Capital and its affiliated companies, as corporate general counsel and otherwise in connection with any corporate and/or transactional matters as requested by Lionheart Equities. The engagement letter between Lionheart Equities and Wasserstrom is for an indefinite period only subject to termination rights of either party, of which no termination has occurred since the agreement was executed. Jessica Wasserstrom, the principal of Wasserstrom, currently holds the title of Chief Legal Officer of Lionheart Equities and its affiliated companies.

In connection therewith, Wasserstrom was specifically engaged by Lionheart to provide counsel for general corporate legal matters, including related to mergers and acquisitions activity and, as such, may be deemed to be a related party of Lionheart. For the year ended December 31, 2023, the Company paid to Wasserstrom an aggregate of approximately \$300,000, in the form of cash payments, issuance of Ordinary Shares and issuances of warrants to purchase Ordinary Shares, for legal services provided to Lionheart through the closing of the Business Combination in March 2023. As of December 31, 2024, an aggregate of \$100,000 is remains unpaid and outstanding.

Chairman Agreement

Mr. Ophir Sternberg and the Company entered into a Chairman Agreement (the “Chairman Agreement”). Pursuant to the Chairman Agreement, beginning at the closing of the Business Combination, Mr. Sternberg will serve as the Chairman of the Board for so long as he serves as a member of the Board, unless he is earlier terminated. Besides the RSU grants as described above, Mr. Sternberg will not receive any cash compensation for his service on the Board nor will he be entitled to participate in any employee benefit plans of the Company.

The Chairman Agreement provides that Mr. Sternberg will be granted restricted stock units of the Company representing 3% of the issued and outstanding Ordinary Shares as of the grant date in accordance with and subject to the terms and conditions of the Company’s 2022 Incentive Equity Plan. Mr. Sternberg’s restricted stock units are subject to time-based vesting, as follows: 20% vest on the grant date, and the remaining restricted stock units will vest in quarterly installments thereafter over a period of three years subject to his continued service on the Board as of each vesting date subject to earlier vesting as forth below.

In the event of the expiration or termination of the Chairman Agreement for any reason other than termination for Cause (as defined in the Chairman Agreement), any unvested outstanding equity awards held by Mr. Sternberg will immediately vest and become nonforfeitable. In the event of the termination of the Chairman Agreement by the Company for Cause, all unvested outstanding equity awards will be cancelled and forfeited, and Mr. Sternberg will not be entitled to any payment in connection therewith.

The Chairman Agreement states that Mr. Sternberg will honor his confidentiality obligations after the termination of his services.

Independent Contractor Agreement

Mr. Faquiry Diaz Cala and the Company entered into an independent contractor agreement (the “Independent Contractor Agreement”). The Independent Contractor Agreement provides for an initial term of three years that automatically renews for one-year terms thereafter, so long as Ophir Sternberg is the Chairman of the Board. Notwithstanding the foregoing, the Independent Contractor Agreement is terminable by either party at any time, with or without Cause (as defined in the Independent Contractor Agreement), effective upon notice to the other party.

In exchange for his services, Mr. Diaz Cala will be compensated and reimbursed in the total amount of \$84,000, annually, payable in twelve equal monthly payments. In addition, the Independent Contractor Agreement provides that Mr. Diaz Cala will be granted restricted stock units of the Company representing 1% of the issued and outstanding Ordinary Shares as of the grant date in accordance with and subject to the terms and conditions of the Company’s 2022 Incentive Equity Plan. Mr. Diaz Cala’s restricted stock units are subject to time-based vesting, as follows: 20% vest on the grant date, and the remaining restricted stock units will vest in quarterly installments thereafter over a period of three years subject to his continued service on the Board as of each vesting date subject to earlier vesting as set forth below.

In the event of the termination of the Independent Contractor Agreement by the Company without Cause or upon a Change in Control (each such term as defined in the Independent Contractor Agreement), any unvested outstanding equity awards held by Mr. Diaz Cala will immediately vest and become nonforfeitable. In the event of the termination of the Independent Contractor Agreement for Cause by the Company or for any reason by Mr. Diaz Cala, all unvested outstanding equity awards will be cancelled and forfeited without consideration.

The Independent Contractor Agreement also contains non-solicitation and non-competition covenants, generally prohibiting Mr. Diaz Cala from (i) soliciting or hiring employees or business contacts during the one-year period that follows the termination of the Independent Contractor Agreement and (ii) directly or indirectly competing with the Company during the term of the Independent Contractor Agreement. In addition, the Independent Contractor Agreement states that Mr. Diaz Cala will honor his confidentiality obligations after the termination of his services.

Borrowings From Related Parties

In 2015, SMX Israel signed an agreement to receive a loan of ILS 2 Million (\$512,558 at 2015) from Kibbutz Katura, and Kibbutz Degania A, an entity associated with Mr. Bader on back-to-back terms from a third party (the Kamea Fund). The loan bears an interest at an annual rate of 4%. The loan was fully repaid in August 2022. The balance as of December 31, 2021 was \$269,311 (including provision for bonus at the amount \$87,311), and as of December 31, 2020 was \$279,939. The balance includes interest and there was no change in the interest rate.

In consideration with providing the funding, SMX Israel agreed to provide, as additional consideration, a bonus payment on the occurrence of an exit or major liquidity event. The bonus payment is capped at ILS 3 Million (approximately \$965,000) per each of Kibbutz Katura and Kibbutz Degania A (together, the “Bonus Payments”). The Bonus Payments are intended to operate in one of the two trigger events: (i) dividend distributions by Security Matters Ltd.; or (ii) the sale of shares by either Kibbutz Katura and Kibbutz Degania A in SMX Israel (either in the event of a takeover or otherwise). Only if the aggregate amounts of one of the two trigger events exceeds the investment of Kibbutz Katura and Kibbutz Degania A in SMX Israel (by loan or shares), the either party would be entitled to the Bonus Payment.

We entered into an Amended and Restated Promissory Note dated as of March 7, 2023 in the principal amount of \$549,000, in favor of Lionheart Management, LLC and Lionheart Equities, LLC, which are affiliates of Ophir Sternberg, our Chairman of the Board. Such note was amended in April 2023 to extend the maturity date thereunder to June 10, 2024; however, we prepaid the note in full in May 2023. Such note amended and restated a Promissory Note, executed by Lionheart in favor of the holders, in the original aggregate principal amount of \$549,000, to reflect the assumption of all rights and responsibilities of Lionheart by the Company.

In August 2022, the Company signed an addendum to the Loan agreement that reduces the amount of the Bonus payment for both lenders to a total fixed amount of ILS 2.5 million (\$710,000) that was to be paid upon the completion of the Business Combination. On March 2, 2023, the Bonus payment date was postponed to March 31, 2024 and on April 28, 2023 it was further postponed to June 1, 2024.

On September 19, 2023, the Company amended the loan agreements dated September 7, 2015, by and between SMX Israel, the Company’s shareholders and Kamea Fund. Pursuant to the amendment to the loan agreements, Kamea agreed to convert \$657,000 of indebtedness under the loan agreements into 487,281 Ordinary Shares of the Company, as payment in full for such indebtedness; provided however, that in the event the proceeds received from Kamea with respect to any sales of the shares are not at least equal to the indebtedness amount, the Company will remain liable to Kamea for the balance of the indebtedness amount. In accordance with management estimation the fair value of this indebtedness as of December 31, 2024 amounted to \$21 thousand.

Proof Of Concept Projects Paid By Affiliated Companies

The Company is engaged in Proof of Concept (POC) agreements according to which it receives funds for financing research and development expenses from prospective customers and affiliated companies. Affiliated companies paid for reimbursement of POC projects the amount of \$1,154,000 in 2024 and \$858,000 in 2023.

We have a related party transaction policy that requires the review and, if applicable, approval or ratification of any related party transaction by the Audit Committee.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial Statements

Our consolidated financial statements are appended at the end of this Annual Report, starting at page F-1.

Legal Proceedings

From time to time, the Company may become involved in legal proceedings or may be subject to claims arising in the ordinary course of our business. Although the results of these proceedings and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these ordinary course matters will not have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

The Company is currently engaged in an arbitration process with *R&I Trading*. The statements of claim by the parties to the arbitration proceedings were filed on January 6, 2025. *R&I Trading*'s statement of claim demands full restitution of the amounts paid by it under the agreement. The Company's statement of claim alleges that *R&I Trading* breached the agreement and has requested the arbitrator to grant relief for the division of remedies in the event that the Company is presented with further expenses by suppliers and employees that have not yet been included in its damage estimate. The Company also raised claims regarding loss of opportunities and requested declaratory relief in favor of the Company.

Prior to filing the statement of claim, on December 26, 2024, the Company filed a motion for declaratory relief. On January 9, 2025, *R&I Trading* responded to the motion. The Company had until January 23, 2025 to submit reply papers in connection with this motion practice.

On March 6, 2025, the parties filed a request for the approval of a mutual procedural arrangement, under which, among other things, *R&I Trading* will file an affidavit stating that it is not using the Company's IP rights and has no intention of violating the Company's IP rights; the Company will withdraw the motion for a declaration and amend its statement of claim accordingly by March 30, 2025; the statements of defense will be filed by April 21, 2025; and the statements of reply will be filed by May 12, 2025.

On March 7, 2025, the arbitrator approved the request, and on March 23, 2025, *R&I Trading* filed its affidavit. On May 11, 2025, the parties filed their statements of defense. At this preliminary stage, it is not possible to assess the chances of the Company's claim and the outcome of the arbitration proceedings.

Dividends and Dividend Policy

We have never declared or paid cash dividends on our share capital. We intend to retain all available funds and any future earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our Board and will depend upon, among other factors, our results of operations, financial condition, capital requirements, contractual restrictions, business prospects and other factors our Board may deem relevant.

Under Irish law, among other things, we may only pay dividends if we have sufficient distributable reserves (on a non-consolidated basis), which are our accumulated realized profits that have not been previously distributed or capitalized, less our accumulated realized losses, so far as such losses have not been previously written off in a reduction or reorganization of capital. In addition, no distribution or dividend may be made if our net assets are not, or if making such distribution or dividend will cause our net assets to not be, equal to or in excess of the aggregate of our called up share capital plus undistributable reserves.

As we are an Irish company, Irish dividend withholding tax, or DWT, currently at a rate of 25%, will arise in respect of dividends or other distributions to our shareholders unless an exemption applies. There are exemptions that may be available to U.S. Holders; such shareholders should consult their respective tax advisors. Where DWT arises, we are responsible for deducting DWT at source and accounting for the relevant amount to the Revenue Commissioners of Ireland.

B. Significant Changes

PMB Amendment

On May 13, 2025 and effective March 31, 2025, the Company entered into the Second Amendment and the Senior Note Second Amendment with PMB. The Second Amendment and the Senior Note Second Amendment amended the maturity date of the Senior Promissory Notes to November 30, 2025 and amended the interest rates of the Senior Promissory Notes to 18% per annum. In addition, all accrued and unpaid interest was capitalized and added to the principal of the applicable Senior Promissory Note.

Termination of Alpha

On May 9, 2025, the Company terminated to Alpha SPA.

RBW Transaction

On May 7, 2025, the Company entered into the RBW Purchase Agreement with the RBW Investors to issue and sell to each of the RBW Investors the RBW Note, for aggregate gross proceeds to the Company of up to \$5.5 million (the “RBW Purchase Price”), before deducting fees to RBW and other expenses payable by the Company in connection with the transaction. The RBW Purchase Price shall be paid as follows: \$1,375,000 on the initial closing date; \$1,375,000 on a second closing date on or about the filing date of the Form F-1 (as defined below); and \$2,750,000 on a third closing date on or about the effective date of the Form F-1.

The initial closing date contemplated by the RBW Purchase Agreement (the “RBW Offering”) occurred on May 8, 2025.

The Company intends to use the net proceeds from the sale of the RBW Note for working capital and general corporate purposes, and to pay down certain outstanding indebtedness and other liabilities of the Company.

RBW acted as placement agent for the RBW Offering.

The RBW Notes are in the aggregate principal amount of up to \$6,875,000 (the “RBW Principal Amount”), and carry an original issue discount of 20%. The maturity date of each RBW Note is the 12-month anniversary of the issuance date, and is the date upon which the RBW Principal Amount, as well as any other fees, shall be due and payable.

Each RBW Investor has the right, at any time, to convert all or any portion of the then outstanding and unpaid RBW Principal Amount and interest if any (including any costs, fees and charges) into the Company’s Ordinary Shares at a conversion price equal to the greater of \$0.32 and 85% of the lowest daily volume weighted average price of the Ordinary Shares during the seven trading days immediately prior to the date of conversion, subject to certain adjustments as provided in the RBW Note. Any such conversion is subject to conversion limitations so each Investor beneficially owns less than 4.99% of the Ordinary Shares. Additionally, each RBW Investor is limited from selling the Ordinary Shares issued upon conversion of the RBW Note in an amount equal to 20% of the Company’s trading volume during the same trading day.

Subject to exceptions described in the RBW Purchase Agreement (the “RBW Exempt Issuances”), including relating to the permitted issuance of Company securities if such securities remain restricted through the maturity date of the RBW Note or its earlier conversion in full, the Company may not sell any equity or equity-linked securities during the term of the Note without the RBW Investors’ consent. In addition, the second closing date purchase price is subject to the Company not having in excess of 1 million Ordinary Shares with a conversion or exercise price less than or equal to \$1.00, that relate to certain of the RBW Exempt Issuances.

The RBW Notes contain customary Events of Default for transactions similar to the transactions contemplated by the RBW Purchase Agreement and the RBW Note, which entitle each Investor, among other things, to accelerate the due date of the unpaid principal amount of the RBW Note. Upon the first occurrence of an Event of Default with respect to the N RBW Note, the RBW Principal Amount outstanding as of the Event of Default date shall be automatically increased by 20%. Additionally, from and after the occurrence and during the continuance of any Event of Default, each RBW Note shall commence accruing interest at the rate of 20% per annum, and shall be due and payable on the first trading day of each calendar month during the continuance of such Event of Default.

The Company has committed to register the Ordinary Shares underlying the RBW Note for resale, and shall file a Registration Statement on Form F-1 (the “Form F-1”) within ten days of the filing of the Company’s Annual Report on Form 20-F for the fiscal year ended December 31, 2024.

On May 6, 2025, the Company entered into an engagement letter in connection with the RBW Offering (the “RBW Engagement Letter”), with RBW, pursuant to which RBW agreed to serve as the placement agent for the issuance and sale of securities of the Company pursuant to the RBW Purchase Agreement. As compensation for such placement agent services, the Company has agreed to pay the RBW an aggregate cash fee equal to 8.0% of the gross proceeds received by the Company from the RBW Offering, plus up to \$90,000 for its fees and expenses. The Company further paid a fee of \$200,000 to Aegis.

The Company has also agreed to issue to RBW or its designees at the Closing, warrants (the “RBW Warrants”) to purchase a number of Ordinary Shares equal to 5.0% of the aggregate number of Ordinary Shares issued upon conversion in full of the RBW Note. The RBW Warrants shall be in a customary form reasonably acceptable to the RBW, have a term of five years and an exercise price of \$1.84, equal to 115% of the closing price of the Ordinary Shares on May 7, 2025. The RBW Warrants shall contain customary terms, including, without limitation, provisions for corporate adjustments (stock splits, combinations and the like), and cashless exercise. Further, pursuant to the RBW Engagement Letter, RBW is entitled to compensation with respect to any financing of the Company occurring within 12 months of the termination or expiration of the RBW Engagement Letter when such financing is provided by investors whom RBW actually introduced to the Company during the term of the RBW Engagement Letter. Further, pursuant to the RBW Engagement Letter, RBW has a right of first refusal to act as sole book-running manager, sole underwriter or sole placement agent with respect to any public offering or private placement of equity, equity-linked or debt securities occurring during the twelve-month period following the closing, but subject in all cases to the Company’s preexisting obligations to Aegis. The RBW Engagement Letter also includes indemnification obligations of the Company and other provisions customary for transactions of this nature.

The Company expects to pay to RBW approximately \$440,000 in the aggregate in cash fees in relation to the transactions contemplated by the RBW Purchase Agreement, of which \$220,000 is payable at the first closing and the remainder payable at the second closing.

Change in Par Value

On May 2, 2025, the Company’s shareholders approved the subdivision of its ordinary shares into 1 ordinary share of \$0.00000000000001 par value with the same rights as each current ordinary share, and 470,250,014,886,351 new deferred shares of US\$0.00000000000001 par value with the following rights: (i) each new deferred share shall not entitle the holder thereof to receive notice, attend or vote at general meetings of the Company; (ii) each New Deferred Share shall not entitle the holder thereof to participate in any dividends declared or paid by the Company; and (iii) on a return of capital on a winding up or otherwise, each New Deferred Share shall entitle the holder thereof to receive an amount of US\$0.00000000000001 on each deferred share after an amount of \$1,000,000,000 has been paid in respect of each ordinary share.

Agreement and Release

On April 2, 2025, the Company entered into the Alpha Release with Alpha, with respect to certain potential disputes the Company had with Alpha regarding loans Alpha made to the Company in 2024.

Pursuant to the Alpha Release, the outstanding amounts owed under the April Note, was adjusted to equal \$1,921,211.14, which amount was then automatically deemed converted into 408,551 Ordinary Shares of the Company at a conversion price per share of \$4.70250014886352. The Company agreed to defer the issuance of an aggregate of 265,215 of such shares pursuant to the terms of the Alpha Release.

As a result of the Alpha Release and the transactions contemplated in the Alpha Release, all indebtedness as between the Company and Alpha has been deemed repaid in full and none of such loans are in any way in further force or effect.

The Agreement provides that each party fully releases the other for any and all claims against the other, other than with respect to claims to enforce the Agreement and as otherwise provided in the Agreement.

On May 9, 2025, the Company terminated to Alpha SPA.

March 2025 Note

On March 28, 2025, the Company consummated the transactions pursuant to a Securities Purchase Agreement (the “March 2025 Purchase Agreement”) dated as of March 28, 2025 and issued and sold to 1800 Diagonal a promissory note (the “March 2025 Note”), for gross proceeds to the Company of US\$257,000.00 before deducting fees and other offering expenses payable by the Company. The Company used the net proceeds from the sale of the Note for general working capital purposes.

The March 2025 Note is in the principal amount of \$295,550.00, which includes an original issue discount of US\$38,550.00. A one-time interest charge of 12%, or \$30,840.00 was applied to the principal. The maturity date of the March 2025 Note is March 30, 2026.

The accrued, unpaid interest and outstanding principal, subject to adjustment, shall be paid in seven payments as follows: (1) on September 30, 2025, US\$163,195.00; (2) on October 30, 2025, US\$27,199.17; (3) on November 30, 2025, US\$27,199.17; (4) on December 30, 2025, US\$27,199.17; (5) on January 30, 2026, US\$27,199.17; (6) on February 28, 2026, US\$27,199.17; and (7) on March 30, 2026, US\$27.199.15.

From the issue date through 90 days following the issue date, the Company may prepay the March 2025 Note in full at a 4% discount. For the next 90 days, the Company may prepay the March 2025 Note in full at a 3% discount. From the 151st day following the issue date and ending the 270th day following the issue date, the Company may prepay the March 2025 Note in full at a 2% discount.

The March 2025 Note contains customary Events of Default for transactions similar to the transactions contemplated by the March 2025 Purchase Agreement and the March 2025 Note. In the event of an Event of Default, (i) the March 2025 Note shall become immediately due and payable, (ii) the principal and interest balance of the March 2025 Note shall be increased by 150% and (ii) the March 2025 Note may be converted into Ordinary Shares. The conversion price shall equal the lowest closing bid price of the Ordinary Shares during the prior ten trading day period multiplied by 75% (representing a 25% discount). Any such conversion is subject to customary conversion limitations set forth in the March 2025 Note so 1800 Diagonal beneficially owns less than 4.99% of the Company's Ordinary Shares. 1800 Diagonal shall be entitled to deduct \$1,500 from the conversion amount in each Notice of Conversion to cover Holder's deposit fees associated with each Notice of Conversion.

Incentive Equity Plan

On February 24, 2025, the Company amended its 2022 Incentive Equity Plan to increase the number of authorized Ordinary Shares under the Incentive Plan to 2,396,668 from 111,668. On March 17, 2025, the Company amended the Incentive Plan, to further increase the number of authorized Ordinary Shares under the Incentive Plan to 2,531,668 from 2,396,668. Thereafter, the Company granted 135,000 half immediately and half vested on June 1, 2025, stock options to certain consultants and advisors to the Company. As a Foreign Private Issuer, Nasdaq Rule 5615(a)(3) allows the Company to rely on home country corporate governance practices in lieu of certain of the rules in the Nasdaq Rule 5600 Series and Rule 5250(d) and, accordingly, the Company so elected to approve the amendment without stockholder approval. Thereafter, the Company granted an aggregate of 1,215,000 restricted stock units and 1,070,000 stock options, to its executive officers and directors, and to certain consultants, employees and advisors to the Company.

Promissory Note Financing

The Company entered into transactions pursuant to the 1800 SPA, with 1800 Diagonal and issued and sold to an 1800 Diagonal the August Note. The Company used the net proceeds from the sale of the August Note for general working capital purposes.

The August Note was in the principal amount of \$223.6 thousand, which included an original issue discount of \$29 thousand. A one-time interest charge of 10%, or \$22 thousand was applied to the principal. The maturity date of the August Note is June 30, 2025.

The accrued, unpaid interest and outstanding principle, subject to adjustment, shall be paid in five payments as follows: (1) on February 28, 2025, \$123 thousand; (2) on March 30, 2025, \$30 thousand; (3) on April 30, 2025, \$30 thousand; (4) on May 30, 2025, \$30 thousand; and (5) on June 30, 2025, \$30 thousand.

The August Note contains customary events of default for transactions similar to the transactions contemplated by the 1800 SPA and the August Note. In the event of an Event of Default (as defined in the 1800 SPA and promissory note), (i) the promissory note shall become immediately due and payable, (ii) the principal and interest balance of the August Note shall be increased by 150% and (ii) the August Note may be converted into Ordinary Shares of the Company at the sole discretion of 1800 Diagonal. The conversion price shall equal the lowest closing bid price of the Ordinary Shares during the prior ten trading day period multiplied by 75% (representing a 25% discount). Any such conversion is subject to customary conversion limitations set forth in the August Note so 1800 Diagonal beneficially owns less than 4.99% of the Company's Ordinary Shares. 1800 Diagonal shall be entitled to deduct \$1.5 thousands from the conversion amount in each notice of conversion to cover 1800 Diagonal's deposit fees associated with each notice of conversion.

The 1800 SPA contains customary representations and warranties made by each of the Company and 1800 Diagonal. The Company is subject to customary indemnification terms in favor of 1800 Diagonal and its affiliates and certain other parties.

The Company paid to ClearThink Securities as placement agent, approximately \$9 thousands in cash fees in relation to the transactions contemplated by the 1800 SPA.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our Ordinary Shares and Public Warrants are listed on The Nasdaq Stock Market LLC under the symbols “SMX” and “SMXWW,” respectively. Holders of our Ordinary Shares and Public Warrants should obtain current market quotations for their securities. There can be no assurance that our Ordinary Shares and/or Public Warrants will remain listed on Nasdaq. If we fail to comply with the Nasdaq listing requirements, our Ordinary Shares and/or Public Warrants could be delisted from Nasdaq. A delisting of our Ordinary Shares will likely affect the liquidity of our Ordinary Shares and could inhibit or restrict our ability to raise additional financing. See the section entitled “*Item 3. Key Information - D. Risk Factors v- General Risks - There can be no assurance that we will be able to comply with the continued listing standards of Nasdaq*”.

B. Plan of Distribution

Not applicable.

C. Markets

The Ordinary Shares are listed on the Nasdaq Capital Market under the symbol “SMX” and the Public Warrants are listed on the Nasdaq Capital Market under the symbol “SMXWW.” If the Company fails to comply with the Nasdaq listing requirements, the Ordinary Shares and/or Public Warrants could be delisted from Nasdaq. A delisting of the Ordinary Shares will likely affect the liquidity of the Ordinary Shares and could inhibit or restrict the ability of the Company to raise additional financing. See “*Item 3. Key Information - D. Risk Factors v- General Risks - There can be no assurance that we will be able to comply with the continued listing standards of Nasdaq*”.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable

ITEM 10. ADDITIONAL INFORMATION**A. Share Capital**

Not applicable.

B. Memorandum and Articles of Association

The Company is a public limited company organized and existing under the laws of Ireland. The Company was formed on July 1, 2022 as a public limited company incorporated in Ireland under the name “Empatan Public Limited Company”. The Company changed its name to SMX (Security Matters) Public Limited Company on February 15, 2023. Its affairs are governed by its Amended and Restated Memorandum and Articles of Association, the ICA, and the laws of Ireland.

A copy of our Amended and Restated Memorandum and Articles of Association is filed as Exhibit 1.9 to this Annual Report on Form 20-F, and is incorporated by reference into this Annual Report. Exhibit 8.1 to this Annual Report, which contains a description of our Ordinary Shares and our Constitution, is incorporated by reference into this Annual Report.

C. Material Contracts***Material Contracts Relating to the Company’s Operations***

In addition to the contracts described elsewhere in this Annual Report, the following are summaries of each material contract, other than contracts entered into in the ordinary course of business, to which we are a party, for the two years preceding the date of this Annual Report. For additional information on our material contracts, please see “Item 4. Information on the Company,” “Item 5. Operating and Financial Review and Prospects,” “Item 6. Directors, Senior Management and Employees,” and “Item 7.B Related Party Transactions” of this Annual Report.

A discussion of other material contracts, are provided under Item 8(b) of this Report and is incorporated herein by reference.

Material Contracts Relating to the Business Combination

The description of the BCA and SID and related and ancillary agreements are included in this Annual Report in “Item 4. Information on the Company,” “Item 5. Operating and Financial Review and Prospects” and “Item 7.B. Related Party Transactions”, which are incorporated herein by reference.

D. Exchange Controls

Under the laws of Ireland, except as indicated below, there are currently no Irish restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends (other than dividend withholding tax where an exemption does not apply) to nonresident holders of our ordinary shares.

It is an offence under Irish law (pursuant to various statutory instruments) to transfer funds or make funds or economic resources available, directly or indirectly to any person or entity in contravention of Irish, European Union (“EU”) or United Nations sanctions or to otherwise contravene Irish, EU or United Nations sanctions.

Under the Financial Transfers Act 1992 (the “1992 Act”), the Minister for Finance of Ireland may make provision for the restriction of financial transfers between Ireland and other countries. Financial transfers are broadly defined, and dividends would fall within this definition.

The 1992 Act and underlying EU regulations prohibit financial transfers with certain persons and entities listed in the EU Consolidated Financial Sanctions List and United Nations Security Council Consolidated List, each of which is updated on an ongoing basis.

E. Taxation

CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of certain material U.S. federal income tax considerations generally applicable to the acquisition, ownership, and disposition of the Ordinary Shares by a “U.S. Holder.” This discussion applies only to the Ordinary Shares that are held by a U.S. Holder as “capital assets” within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”) (generally, property held for investment). This discussion does not describe all U.S. federal income tax considerations that may be relevant to a U.S. Holder in light of such U.S. Holder’s particular circumstances, nor does it address any state, local, or non-U.S. tax considerations, any non-income tax (such as gift or estate tax) considerations, the alternative minimum tax, the special tax accounting rules under Section 451(b) of the Code, the Medicare contribution tax on net investment income, or any tax consequences that may be relevant to U.S. holders that are subject to special tax rules, including, without limitation:

- banks or other financial institutions;
- insurance companies;
- mutual funds;
- pension or retirement plans;
- S corporations;
- broker or dealers in securities or currencies;
- traders in securities that elect mark-to-market treatment;
- regulated investment companies;
- real estate investment trusts;
- trusts or estates;

- tax-exempt organizations (including private foundations);
- persons that hold the Ordinary Shares as part of a “straddle,” “hedge,” “conversion,” “synthetic security,” “constructive ownership transaction,” “constructive sale,” or other integrated transaction for U.S. federal income tax purposes;
- persons that have a functional currency other than the U.S. dollar;
- certain U.S. expatriates or former long-term residents of the United States;
- persons owning (directly, indirectly, or constructively) 5% (by vote or value) or more of our stock;
- persons that acquired the Ordinary Shares pursuant to an exercise of employee stock options or otherwise as compensation;
- partnerships or other entities or arrangements treated as pass-through entities for U.S. federal income tax purposes and investors in such entities;
- “controlled foreign corporations” within the meaning of Section 957(a) of the Code;
- “passive foreign investment companies” within the meaning of Section 1297(a) of the Code; and
- corporations that accumulate earnings to avoid U.S. federal income tax.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Ordinary Shares, the tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership and the partner. Partnerships holding the Ordinary Shares should consult their tax advisors regarding the tax consequences in their particular circumstances.

This discussion is based on the Code, the U.S. Treasury regulations promulgated thereunder, administrative rulings, and judicial decisions, all as currently in effect and all of which are subject to change or differing interpretation, possibly with retroactive effect. Any such change or differing interpretation could alter the tax consequences described herein. Furthermore, there can be no assurance that the IRS will not challenge the tax considerations described herein and that a court will not sustain such challenge.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of the Ordinary Shares, that is, for U.S. federal income tax purposes:

- an individual who is a U.S. citizen or resident of the United States;
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more “United States persons” within the meaning of Section 7701(a)(30) of the Code have the authority to control all substantial decisions of the trust or (B) that has in effect a valid election under applicable U.S. Treasury regulations to be treated as a United States person.

THIS DISCUSSION IS FOR GENERAL INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF THE ORDINARY SHARES IN THEIR PARTICULAR CIRCUMSTANCES.

Distributions on the Ordinary Shares

Subject to the PFIC rules discussed below under “*-Passive Foreign Investment Company Rules*,” distributions on the Ordinary Shares generally will be taxable as a dividend for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Such distributions in excess of our current and accumulated earnings and profits will constitute a return of capital that will be applied against and reduce (but not below zero) the U.S. Holder’s adjusted tax basis in its Ordinary Shares. Any remaining excess will be treated as gain realized on the sale or other taxable disposition of the Ordinary Shares and will be treated as described below under “*-Sale or Other Taxable Disposition of the Ordinary Shares*.” The amount of any such distributions will include any amounts required to be withheld by us (or another applicable withholding agent) in respect of any non-U.S. taxes. Any such amount treated as a dividend will be treated as foreign-source dividend income. Any such dividends received by a corporate U.S. Holder generally will not qualify for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. With respect to non-corporate U.S. Holders, any such dividends generally will be taxed at currently preferential long-term capital gains rates only if (i) the Ordinary Shares are readily tradable on an established securities market in the United States or we are eligible for benefits under an applicable tax treaty with the United States, (ii) we are not treated as a PFIC with respect to the applicable U.S. Holder at the time the dividend was paid or in the preceding year, and (iii) certain holding period and other requirements are met. Any such dividends paid in a currency other than the U.S. dollar generally will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of actual or constructive receipt, regardless of whether the payment is in fact converted into U.S. dollars at that time. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

As noted above and subject to applicable limitations, taxing jurisdictions other than the United States may withhold taxes from distributions on the Ordinary Shares, and a U.S. Holder may be eligible for a reduced rate of withholding to the extent there is an applicable tax treaty between the applicable taxing jurisdiction and the United States and/or may be eligible for a foreign tax credit against the U.S. Holder’s U.S. federal income tax liability. The foreign tax credit rules are complex and U.S. Holders should consult their tax advisers regarding the application of such rules, including the creditability of foreign taxes, in their particular circumstances.

Sale or Other Taxable Disposition of the Ordinary Shares

Subject to the PFIC rules discussed below under “*-Passive Foreign Investment Company Rules*,” upon any sale or other taxable disposition of the Ordinary Shares, a U.S. Holder generally will recognize gain or loss in an amount equal to the difference, if any, between (i) the sum of (A) the amount of cash and (B) the fair market value of any other property received in such sale or disposition and (ii) the U.S. Holder’s adjusted tax basis in the Ordinary Shares. Any such gain or loss generally will be capital gain or loss provided the Ordinary Shares were held for investment and will be considered long-term capital gain or loss if the U.S. Holder’s holding period for such Ordinary Shares exceeds one year. Long-term capital gain recognized by non-corporate U.S. Holders generally will be taxed at currently preferential long-term capital gains rates. The deductibility of capital losses is subject to limitations. For foreign tax credit purposes, any such gain or loss generally will be treated as U.S. source gain or loss.

If the consideration received by a U.S. Holder upon a sale or other taxable disposition of the Ordinary Shares is not paid in U.S. dollars, the amount realized will be the U.S. dollar value of such payment calculated by reference to the exchange rate in effect on the date of such sale or disposition. A U.S. Holder may have foreign currency gain or loss to the extent of the difference, if any, between (i) the U.S. dollar value of such payment on the date of such sale or disposition and (ii) the U.S. dollar value of such payment calculated by reference to the exchange rate in effect on the date of settlement.

U.S. Holders should consult their tax advisors regarding the tax consequences of a sale or other taxable disposition of the Ordinary Shares, including the creditability of foreign taxes imposed on such sale or disposition by a taxing jurisdiction other than the United States, in their particular circumstances.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

THIS DISCUSSION IS FOR GENERAL INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF THE ORDINARY SHARES, INCLUDING THE IMPACT OF ANY POTENTIAL CHANGE IN LAW, IN THEIR PARTICULAR CIRCUMSTANCES.

Possible Constructive Distributions

The terms of each Public Warrant provide for an adjustment to the number of Ordinary Shares for which the Public Warrant may be exercised or to the exercise price of the Public Warrant in certain events, as discussed in the Exhibit to this Annual Report entitled "*Description of Securities*." An adjustment which has the effect of preventing dilution generally is not taxable. A U.S. holder of a Public Warrant would, however, be treated as receiving a constructive distribution from the Company if, for example, the adjustment increases the holder's proportionate interest in the Company's assets or earnings and profits (e.g., through an increase in the number of Ordinary Shares that would be obtained upon exercise of such warrant) as a result of a distribution of cash to the holders of the Ordinary Shares which is taxable to the U.S. holders of such shares as described under the section entitled "*-Distributions on the Ordinary Shares*" above. Such constructive distribution would be subject to tax as described under that section in the same manner as if the U.S. holder of such warrant received a cash distribution from the Company equal to the fair market value of such increased interest. The rules regarding constructive distributions are complex. U.S. holders should consult their own tax advisors regarding the application of the rules to them in light of their own circumstances.

Passive Foreign Investment Company Rules

Generally. The treatment of U.S. holders of the Ordinary Shares could be materially different from that described above if the Company is treated as a PFIC, for U.S. federal income tax purposes. A PFIC is any foreign corporation with respect to which either: (i) 75% or more of the gross income for a taxable year constitutes passive income for purposes of the PFIC rules, or (ii) 50% or more of such foreign corporation's assets in any taxable year (generally based on the quarterly average of the value of its assets during such year) is attributable to assets, including cash, that produce passive income or are held for the production of passive income. Passive income generally includes dividends, interest, certain royalties and rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. The determination of whether a foreign corporation is a PFIC is based upon the composition of such foreign corporation's income and assets (including, among others, its proportionate share of the income and assets of any other corporation in which it owns, directly or indirectly, 25% (by value) of the stock), and the nature of such foreign corporation's activities. A separate determination must be made after the close of each taxable year as to whether a foreign corporation was a PFIC for that year. Once a foreign corporation qualifies as a PFIC it is, with respect to a shareholder during the time it qualifies as a PFIC, and subject to certain exceptions, always treated as a PFIC with respect to such shareholder, regardless of whether it satisfied either of the qualification tests in subsequent years.

Based on the projected composition of the Company's income and assets, including goodwill, the Company does not expect to be classified as a PFIC for its taxable year that includes the date of the Business Combination. The tests for determining PFIC status are applied annually after the close of the taxable year, and it is difficult to predict accurately future income and assets relevant to this determination. The fair market value of the assets of the Company is expected to depend, in part, upon (a) the market value of the Ordinary Shares, and (b) the composition of the assets and income of the Company. Further, because the Company may value its goodwill based on the market value of the Ordinary Shares, a decrease in the market value of the Ordinary Shares and/or an increase in cash or other passive assets (including as a result of the Business Combination) would increase the relative percentage of its passive assets. Moreover, any interest income that the Company earns on its cash deposits would generally be treated as passive income and increase the risk that the Company would be treated as a PFIC. The application of the PFIC rules is subject to uncertainty in several respects and, therefore, no assurances can be provided that the IRS will not assert that the Company is a PFIC for the taxable year that includes the date of the Business Combination, the Company's current taxable year or in a future year.

If the Company is or becomes a PFIC during any year in which a U.S. holder holds Ordinary Shares, there are three separate taxation regimes that could apply to such U.S. holder under the PFIC rules, which are the (i) excess distribution regime (which is the default regime), (ii) mark-to-market regime and (iii) QEF regime (as defined below). A U.S. holder who holds (actually or constructively) stock in a foreign corporation during any year in which such corporation qualifies as a PFIC is subject to U.S. federal income taxation under one of these three regimes. The effect of the PFIC rules on a U.S. holder will depend upon which of these regimes applies to such U.S. holder. However, dividends paid by a PFIC are generally not eligible for the lower rates of taxation applicable to qualified dividend income ("QDI") under any of the foregoing regimes.

Excess Distribution Regime. If a U.S. holder does not make a mark-to-market election, as described below, the U.S. holder will be subject to the default "excess distribution regime" under the PFIC rules with respect to (i) any gain realized on a sale or other disposition (including a pledge) of Ordinary Shares, and (ii) any "excess distribution" received on Ordinary Shares (generally, any distributions in excess of 125% of the average of the annual distributions on Ordinary Shares during the preceding three years or the U.S. holder's holding period, whichever is shorter). Generally, under this excess distribution regime:

- the gain or excess distribution will be allocated ratably over the period during which the U.S. holder held Ordinary Shares;
- the amount allocated to the current taxable year, will be treated as ordinary income; and
- the amount allocated to prior taxable years will be subject to the highest tax rate in effect for that taxable year, and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or excess distribution will be payable generally without regard to offsets from deductions, losses and expenses. In addition, gains (but not losses) realized on the sale of Ordinary Shares cannot be treated as capital gains, even if you hold the shares as capital assets. Further, no portion of any distribution will be treated as QDI.

Mark-to-Market Regime. Alternatively, a U.S. holder may make an election to mark marketable shares in a PFIC to market on an annual basis. PFIC shares generally are marketable if: (i) they are “regularly traded” on a national securities exchange that is registered with the Securities and Exchange Commission or on the national market system established under Section 11A of the Securities Exchange Act of 1934; or (ii) they are “regularly traded” on any exchange or market that the Treasury Department determines to have rules sufficient to ensure that the market price accurately represents the fair market value of the stock. It is expected that Ordinary Shares, which are expected to be listed on Nasdaq, will qualify as marketable shares for the PFIC rules purposes, but there can be no assurance that Ordinary Shares will be “regularly traded” for purposes of these rules. Pursuant to such an election, a U.S. holder would include in each year as ordinary income the excess, if any, of the fair market value of such stock over its adjusted basis at the end of the taxable year. A U.S. holder may treat as ordinary loss any excess of the adjusted basis of the stock over its fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the election in prior years. A U.S. holder’s adjusted tax basis in the PFIC shares will be increased to reflect any amounts included in income, and decreased to reflect any amounts deducted, as a result of a mark-to-market election. Any gain recognized on a disposition of Ordinary Shares will be treated as ordinary income and any loss will be treated as ordinary loss (but only to the extent of the net amount of income previously included as a result of a mark-to-market election). A mark-to-market election only applies for the taxable year in which the election was made, and for each subsequent taxable year, unless the PFIC shares ceased to be marketable or the IRS consents to the revocation of the election. U.S. holders should also be aware that the Code and the Treasury Regulations do not allow a mark-to-market election with respect to stock of lower-tier PFICs that is non-marketable. There is also no provision in the Code, Treasury Regulations or other published authority that specifically provides that a mark-to-market election with respect to the stock of a publicly traded holding company (such as the company) effectively exempts stock of any lower-tier PFICs from the negative tax consequences arising from the general PFIC rules. U.S. holders should consult their own tax advisors to determine whether the mark-to-market tax election is available to them and the consequences resulting from such election. In addition, U.S. holders of Public Warrants will not be able to make a mark-to-market election with respect to their Public Warrants.

QEF Regime. Alternatively, a U.S. holder of a PFIC may avoid the adverse PFIC tax consequences described above in respect of stock of the PFIC (but not warrants) by making and maintaining a timely and valid qualified electing fund (“QEF”) election (if eligible to do so) to include in income its *pro rata* share of the PFIC’s net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the first taxable year of the U.S. Holder in which or with which the PFIC’s taxable year ends and each subsequent taxable year. In order to comply with the requirements of a QEF election, a U.S. Holder must receive a PFIC Annual Information Statement from the PFIC. The company does not presently intend to provide a PFIC Annual Information Statement in order for U.S. Holders to make or maintain a QEF election. However, as described above, the company does not expect to be classified as a PFIC for the taxable year that includes the Business Combination.

PFIC Reporting Requirements. A U.S. holder of Ordinary Shares will be required to file an annual report on IRS Form 8621 containing such information with respect to its interest in a PFIC as the IRS may require. Failure to file IRS Form 8621 for each applicable taxable year may result in substantial penalties and result in the U.S. holder’s taxable years being open to audit by the IRS until such Forms are properly filed.

Additional Reporting Requirements

Certain U.S. holders holding specified foreign financial assets with an aggregate value in excess of the applicable dollar thresholds are required to report information to the IRS relating to Ordinary Shares, subject to certain exceptions (including an exception for Ordinary Shares held in accounts maintained by U.S. financial institutions), by attaching a complete IRS Form 8938 to their tax return, for each year in which they hold Ordinary Shares. Substantial penalties apply to any failure to file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not willful neglect. Also, in the event a U.S. holder does not file IRS Form 8938 or fails to report a specified foreign financial asset that is required to be reported, the statute of limitations on the assessment and collection of U.S. federal income taxes of such U.S. holder for the related taxable year may not close before the date which is three years after the date on which the required information is filed. U.S. holders should consult their tax advisors regarding the effect, if any, of these rules on the ownership and disposition of Ordinary Shares.

Certain U.S. holders may be required to file an IRS Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation) to report a transfer of property to the company. Substantial penalties may be imposed on a U.S. holder that fails to comply with this reporting requirement and the statute of limitations on the assessment and collection of U.S. federal income taxes will be extended in the event of any such failure to comply.

Non-U.S. Holders

This section applies to non-U.S. holders. For purposes of this discussion, a “non-U.S. holder” means a beneficial owner (other than a partnership or an entity or arrangement so characterized for U.S. federal income tax purposes) of Ordinary Shares or Public Warrants that is not a U.S. holder, including:

- a nonresident alien individual, other than certain former citizens and residents of the United States;
- a foreign corporation; or
- a foreign estate or trust;

but, generally, does not include an individual who is present in the United States for 183 days or more in the taxable year of disposition.

Ownership and Disposition of Ordinary Shares and Public Warrants by Non-U.S. Holders. A non-U.S. holder of Ordinary Shares will generally not be subject to U.S. federal income tax or, subject to certain reporting or withholdings, U.S. federal withholding tax on any dividends received on Ordinary Shares or any gain recognized on a sale or other disposition of Ordinary Shares (including, any distribution to the extent it exceeds the adjusted basis in the non-U.S. holder’s Ordinary Shares) unless the dividend or gain is effectively connected with the non-U.S. holder’s conduct of a trade or business in the United States and, if required by an applicable tax treaty, is attributable to a permanent establishment maintained by the non-U.S. holder in the United States. In addition, special rules may apply to a non-U.S. holder that is an individual present in the United States for 183 days or more during the taxable year of the sale or disposition, and certain other requirements are met. Such holders should consult their own tax advisors regarding the U.S. federal income tax consequences of the sale or disposition of Ordinary Shares.

Dividends and gains that are effectively connected with a non-U.S. holder’s conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base in the United States) generally will be subject to U.S. federal income tax at the same regular U.S. federal income tax rates applicable to a comparable U.S. holder and, in the case of a non-U.S. holder that is a corporation for U.S. federal income tax purposes, also may be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

CERTAIN MATERIAL IRISH TAX CONSIDERATIONS TO NON-IRISH HOLDERS

Scope

The following is a summary of the anticipated material Irish tax consequences of the acquisition, ownership and disposal of Ordinary Shares and Public Warrants. The summary is based upon Irish tax laws and the practice of the Irish Revenue Commissioners in effect on the date of this Annual Report and submissions which will be made to the Irish Revenue Commissioners. Changes in law and/or administrative practice may result in a change in the tax consequences described below, possibly with retrospective effect.

A “Non-Irish Holder” is an individual who beneficially owns their Ordinary Shares and/or Public Warrants, that is neither a resident nor ordinarily resident in Ireland for Irish tax purposes and does not hold their Ordinary Shares and/or Public Warrants, in connection with a trade carried on by such person through an Irish branch or agency.

This summary does not constitute tax advice and is intended only as a general guide. The summary is not exhaustive and securityholders should consult their tax advisors about the Irish tax consequences (and tax consequences under the laws of other relevant jurisdictions) of the business combination and of the acquisition, ownership and disposal of Ordinary Shares and Public Warrants. The summary applies only to Non-Irish Holders who own their Ordinary Shares and/or Public Warrants, as capital assets and does not apply to other categories of Non-Irish Holders, such as dealers in securities, trustees, insurance companies, collective investment schemes and Non-Irish Holders who acquired, or are deemed to have acquired, their Ordinary Shares and/or Public Warrants by virtue of an Irish office or employment (performed or carried on to any extent in Ireland).

The summary does not, except where expressly stated, consider the position of Non-Irish Holders who hold their Ordinary Shares and/or Public Warrants directly (and not beneficially through a broker or custodian (through DTC)). The Irish tax consequences of transactions in Ordinary Shares and/or Public Warrants held directly are generally negative when compared with Ordinary Shares and/or Public Warrants held through DTC. Any Non-Irish Holder contemplating holding their Ordinary Shares and/or Public Warrants directly should consult their personal tax advisors as to the Irish tax consequences of acquiring, owning and disposing of such Ordinary Shares and/or Public Warrants.

Irish Tax on Chargeable Gains (Irish CGT)

The current rate of tax on chargeable gains (where applicable) in Ireland is 33%.

Non-Irish Holders will not be within the territorial scope of a charge to Irish CGT on a disposal of their Ordinary Shares and/or Public Warrants, provided that such Ordinary Shares and/or Public Warrants neither (a) were used in or for the purposes of a trade carried on by such Non-Irish Holder through an Irish branch or agency, nor (b) were used, held or acquired for use by or for the purposes of an Irish branch or agency.

Stamp Duty

The rate of stamp duty (where applicable) on transfers of shares or warrants of Irish incorporated companies is 1% of the greater of the price paid or market value of the shares or warrants acquired. Where Irish stamp duty arises it is generally a liability of the transferee. However, in the case of a gift or transfer at less than fair market value, all parties to the transfer are jointly and severally liable.

Irish stamp duty may be payable in respect of transfers of Ordinary Shares and Public Warrants, depending on the manner in which the Ordinary Shares and Public Warrants are held. The Company entered into arrangements with DTC to allow the Ordinary Shares and Public Warrants to be settled through the facilities of DTC. As such, the discussion below discusses separately the securityholders who hold their shares through DTC and those who do not.

Ordinary Shares or Public Warrants Held Through DTC

The Irish Revenue Commissioners have confirmed to the Company that transfers of Ordinary Shares and Public Warrants effected by means of the transfer of book entry interests in DTC will not be subject to Irish stamp duty.

Ordinary Shares or Public Warrants Held Outside of DTC or Transferred Into or Out of DTC

A transfer of Ordinary Shares or Public Warrants where any party to the transfer holds such Ordinary Shares or Public Warrants outside of DTC may be subject to Irish stamp duty.

Holders of Ordinary Shares or Public Warrants wishing to transfer their Ordinary Shares or Public Warrants into (or out of) DTC may do so without giving rise to Irish stamp duty provided that:

- there is no change in the beneficial ownership of such shares as a result of the transfer; and
- the transfer into (or out of) DTC is not effected in contemplation of a sale of such shares or warrants by a beneficial owner to a third party.

Withholding Tax on Dividends (DWT)

Distributions made by the Company will, in the absence of one of many exemptions, be subject to DWT, currently at a rate of 25%.

For DWT and Irish income tax purposes, a distribution includes any distribution that may be made by the Company to holders of Ordinary Shares, including cash dividends, non-cash dividends and additional stock taken in lieu of a cash dividend. Where an exemption from DWT does not apply in respect of a distribution made to a holder of Ordinary Shares, the Company is responsible for withholding DWT prior to making such distribution.

General Exemptions

Irish domestic law provides that a non-Irish resident holder of Ordinary Shares is not subject to DWT on distributions received from the Company if such holder of Ordinary Shares is beneficially entitled to the distribution and is either (for a List of Relevant Territories for DWT purposes see Exhibit 15.3 to this Annual Report):

- a person (not being a company) resident for tax purposes in a Relevant Territory (including the United States) and is neither resident nor ordinarily resident in Ireland;
- a company resident for tax purposes in a Relevant Territory, provided such company is not under the control, whether directly or indirectly, of a person or persons who is or are resident in Ireland;
- a company that is controlled, directly or indirectly, by persons resident in a Relevant Territory and who is or are (as the case may be) not controlled by, directly or indirectly, persons who are not resident in a Relevant Territory;
- a company whose principal class of shares (or those of its 75% direct or indirect parent) is substantially and regularly traded on a stock exchange in Ireland, on a recognized stock exchange either in a Relevant Territory or on such other stock exchange approved by the Irish Minister for Finance; or
- a company that is wholly owned, directly or indirectly, by two or more companies where the principal class of shares of each of such companies is substantially and regularly traded on a stock exchange in Ireland, a recognized stock exchange in a Relevant Territory or on such other stock exchange approved by the Irish Minister for Finance;

and provided, in all cases noted above (but subject to “-*Ordinary Shares Held by U.S. Resident Shareholders*” below), the Company or, in respect of Ordinary Shares held through DTC, any qualifying intermediary appointed by the Company, has received from the holder of such Ordinary Shares, where required, the relevant DWT Forms prior to the payment of the distribution. In practice, in order to ensure sufficient time to process the receipt of relevant DWT Forms, the holders of Ordinary Shares, where required, should furnish the relevant DWT Form to:

- its broker (and the relevant information is further transmitted to any qualifying intermediary appointed by the Company) before the record date for the distribution (or such later date before the distribution payment date as may be notified to the holder of Ordinary Shares by the broker) if its Ordinary Shares are held through DTC; or
- The Company’s transfer agent before the record date for the distribution if its Ordinary Shares are held outside of DTC.

Links to the various DWT Forms are available at: <http://www.revenue.ie/en/tax/dwt/forms/index.html>. The information on such website does not constitute a part of, and is not incorporated by reference into, this Annual Report.

For non-Irish resident holders of Ordinary Shares that cannot avail themselves of one of Ireland’s domestic law exemptions from DWT, it may be possible for such holder of Ordinary Shares to rely on the provisions of a double tax treaty to which Ireland is party to reduce the rate of DWT.

Ordinary Shares Held by U.S. Resident Shareholders

Distributions paid in respect of Ordinary Shares that are owned by a U.S. resident and held through DTC will not be subject to DWT provided the address of the beneficial owner of such Ordinary Shares in the records of the broker holding such Ordinary Shares is in the United States (and such broker has further transmitted the relevant information to a qualifying intermediary appointed by the Company). It is strongly recommended that such holders of Ordinary Shares ensure that their information is properly recorded by their brokers (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by the Company).

If any holder of Ordinary Shares that is resident in the United States receives a distribution from which DWT has been withheld, the holder of Ordinary Shares should generally be entitled to apply for a refund of such DWT from the Irish Revenue Commissioners, provided the holder of Ordinary Shares is beneficially entitled to the distribution.

Ordinary Shares Held by Residents of Relevant Territories Other Than the United States

Holders of Ordinary Shares who are residents of Relevant Territories, other than the United States, must satisfy the conditions of one of the exemptions referred to above under the heading “*-General Exemptions*”, including the requirement to furnish valid DWT Forms, in order to receive distributions without suffering DWT. If such holders of Ordinary Shares hold their Ordinary Shares through DTC, they must provide the appropriate DWT Forms to their brokers (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by the Company) before the record date for the distribution (or such later date before the distribution payment date as may be notified to holder of Ordinary Shares by the broker). If such holders of Ordinary Shares hold their Ordinary Shares outside of DTC, they must provide the appropriate DWT Forms to the Company’s transfer agent before the record date for the distribution.

If any holder of Ordinary Shares who is resident in a Relevant Territory receives a distribution from which DWT has been withheld, the holder of Ordinary Shares may be entitled to a refund of DWT from the Irish Revenue Commissioners provided the holder of Ordinary Shares is beneficially entitled to the distribution.

Shares Held by Other Persons

Holders of Ordinary Shares that do not fall within any of the categories specifically referred to above may nonetheless fall within other exemptions from DWT. If any holders of Ordinary Shares are exempt from DWT, but receive distributions subject to DWT, such holders of Ordinary Shares may apply for refunds of such DWT from the Irish Revenue Commissioners.

Distributions paid in respect of Ordinary Shares held through DTC that are owned by a partnership formed under the laws of a Relevant Territory and where all the underlying partners are resident in a Relevant Territory will be entitled to exemption from DWT if all of the partners complete the appropriate DWT Forms and provide them to their brokers (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by the Company) before the record date for the distribution (or such later date before the distribution payment date as may be notified to the holder of Ordinary Shares by the broker). If any partner is not a resident of a Relevant Territory, no part of the partnership’s position is entitled to exemption from DWT.

Qualifying Intermediary

Prior to paying any distribution, the Company will put in place an agreement with an entity that is recognized by the Irish Revenue Commissioners as a “qualifying intermediary,” which will provide for certain arrangements relating to distributions in respect of Ordinary Shares that are held through DTC, which are referred to as the “Deposited Securities.” The agreement will provide that the qualifying intermediary shall distribute or otherwise make available to Cede & Co., as nominee for DTC, any cash dividend or other cash distribution with respect to the Deposited Securities after the Company delivers or causes to be delivered to the qualifying intermediary the cash to be distributed.

The Company will rely on information received directly or indirectly from its qualifying intermediary, brokers and its transfer agent in determining where holders of Ordinary Shares reside, whether they have provided the required U.S. tax information and whether they have provided the required DWT Forms. Holders of Ordinary Shares that are required to file DWT Forms in order to receive distributions free of DWT should note that such forms are generally valid, subject to a change in circumstances, until December 31 of the fifth year after the year in which such forms were completed.

Income Tax on Dividends Paid on Ordinary Shares

Irish income tax may arise for certain persons in respect of distributions received from Irish resident companies.

A Non-Irish Holder that is entitled to an exemption from DWT will generally have no Irish income tax or universal social charge liability on a distribution from the Company. A Non-Irish Holder that is not entitled to an exemption from DWT, and therefore is subject to DWT, generally will have no additional Irish income tax liability or liability to universal social charge. The DWT deducted by the Company discharges the Irish income tax liability and liability to universal social charge.

Capital Acquisitions Tax (CAT)

CAT comprises principally gift tax and inheritance tax on property situated in Ireland for CAT purposes or otherwise within the territorial scope of CAT. CAT could apply to a gift or inheritance of Ordinary Shares and Public Warrants because Ordinary Shares and Public Warrants are regarded as property situated in Ireland for CAT purposes. The person who receives the gift or inheritance has primary liability for CAT.

CAT is currently levied at a rate of 33% on the value of any taxable gift or inheritance above certain tax-free thresholds. The appropriate tax-free threshold depends upon (1) the relationship between the donor and the donee and (2) the aggregation of the values of previous taxable gifts and inheritances received by the donee from persons within the same group threshold. Gifts and inheritances passing between spouses are exempt from CAT, as are gifts to certain charities. Children have a lifetime tax-free threshold of €335,000 in respect of taxable gifts or inheritances received from their parents. There is also a “small gift exemption” from CAT whereby the first €3,000 of the taxable value of all taxable gifts taken by a donee from any one donor, in each calendar year, is exempt from CAT and is also excluded from any future aggregation. This exemption does not apply to an inheritance.

THE IRISH TAX CONSIDERATIONS SUMMARIZED ABOVE ARE FOR GENERAL INFORMATION ONLY AND ARE NOT INTENDED TO PROVIDE ANY DEFINITIVE TAX REPRESENTATIONS TO HOLDERS. EACH SECURITYHOLDER SHOULD CONSULT HIS OR HER TAX ADVISOR AS TO THE PARTICULAR CONSEQUENCES THAT MAY APPLY TO SUCH SECURITYHOLDER.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Documents concerning the Company referred to in this Report may be inspected at the principal executive offices of the Company at Mespil Business Centre, Mespil House, Sussex Road, Dublin 4, Ireland, D04 T4A6.

We are subject to certain of the informational filing requirements of the Exchange Act. Since we are a “foreign private issuer,” our officers, directors and principal shareholders are exempt from the reporting and “short-swing” profit recovery provisions contained in Section 16 of the Exchange Act, with respect to their purchase and sale of our equity securities. In addition, we are not required to file reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we are required to file with the SEC an Annual Report on Form 20-F containing financial statements audited by an independent registered public accounting firm. We will also furnish to the SEC, on Form 6-K, unaudited financial information with respect to our first six-month period of our fiscal year. The SEC also maintains a website at <http://www.sec.gov> that contains reports and other information that we file with or furnish electronically with the SEC.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks in the ordinary course of business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of U.S. dollar/ILS Israeli Shekels exchange rates, which is discussed in detail in the following paragraph.

Foreign Currency Exchange Risk***Currency Fluctuations***

The Company's operating expenses are denominated in ILS, AUD, EURO and SGD, and therefore are currently subject to foreign currency risk. We have been affected by changes in some of such rates compared to the U.S. dollar, as of December 31, 2024, the ILS increased against the U.S. dollar by approximately 0.6%, the AUD decreased against the U.S. dollar by approximately 8.5%, the EUR decreased against the U.S. dollar by approximately 5.5% and the SGD decreased against the U.S. dollar by approximately 2.6%.

The Company's policy is not to enter into any currency hedging transactions, and we cannot assure you that we will not be adversely affected by currency fluctuations in the future.

Credit Risk

Credit risk is a risk of financial loss if a counterparty or customer fails to meet its contractual obligations. We closely monitor the activities of our counterparties and control the access to its intellectual property which enables it to ensure a prompt collection. Our main financial assets are cash and cash equivalents as well as other receivables and represent the Company's maximum exposure to credit risk in connection with its financial assets. Wherever possible and commercially practical, the Company holds cash with major and sound financial institutions in Israel and Australia.

Liquidity Risk

Liquidity risk is the risk that we will encounter in meeting our obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. The Company seeks to minimize that risk by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. For more details, please refer to the section titled, "Liquidity and Capital Resources".

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**A. Debt Securities**

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depository Shares

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

All amounts due under the PMB Definitive Agreements, amounting to \$1,360 thousand as of December 31, 2024, were due and owing and required to be paid as of March 31, 2025. On May 13, 2025, and effective March 31, 2025, the due date for all amount due and owing under the PMB Definitive Agreements were extended to November 30, 2025.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

On the date of this report, the Company did not have a permanent CFO, only an Interim CFO. The Company intends to appoint a permanent CFO and enhance internal controls accordingly.

As required by Rule 13a-15 under the Exchange Act, management, including our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report (the "Evaluation Date"). Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitations, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding our required disclosures. Based on such evaluation, those officers have concluded that, as of the Evaluation Date, our disclosure controls and procedures are not effective in recording, processing, summarizing and reporting, on a timely basis, information required to be included in periodic filings under the Exchange Act and that such information is accumulated and communicated to management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

B. Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with international financial reporting standards. Our internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with international financial reporting standards, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate. Under the supervision of our Chief Executive Officer and Chief Financial Officer, our management assessed the design and effectiveness of our internal control over financial reporting as of December 31, 2024. In making its assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in Internal Control - Integrated Framework (2013).

Considering the small size of our Company, our Management found a material weakness in our internal control over financial reporting as a result of lack of segregation of duties in the financial statement close process and the fact that our interim Chief Financial Officer previously held the position of audit committee member. To remediate the material weakness in our internal controls over financial reporting described above, we have initiated remedial measures and are taking additional measures to remediate this material weakness. We have hired additional personnel and strengthening our controls financial reporting, with the assistance of outside consultants and experts. Consistent with our stage of operations, we continue to rely on risk-mitigating procedures during our financial closing process in order to provide comfort that the financial statements are presented fairly in accordance with IFRS. We are in the process of addressing our internal control over financial reporting and we intend to establish formal policies, processes and practices related to financial reporting and identify key financial reporting risks, including an assessment of the potential impact of those risks to specific areas and activities within our organization.

Due to the material weakness described above, our management concluded that our internal controls over financial reporting were not effective as of December 31, 2024.

C. Attestation Report of the Registered Public Accounting Firm

This Annual Report on Form 20-F does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting since we are an emerging growth company.. Management's report was not subject to attestation by our registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report on Form 20-F.

D. Changes in Internal Control Over Financial Reporting

During the year ended December 31, 2024, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

At this time, the Company does not have on its Audit Committee at least one member who qualifies as an "audit committee financial expert" as defined by the SEC; however, the Company believes that all of the audit committee members are able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. Additionally, at least one member of the audit committee meets the criteria of having past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the individual's financial sophistication, and accordingly believes that the audit committee can properly fulfill its functions and role as if at least one member was an "audit committee financial expert" as defined by the SEC.

ITEM 16B. CODE OF ETHICS

The Board adopted a Code of Ethics applicable to our directors, executive officers and team members that complies with the rules and regulations of Nasdaq and the SEC. The Code of Ethics is available on the Company's website. In addition, the Company intends to post on the Corporate Governance section of its website all disclosures that are required by law or Nasdaq listing standards concerning any amendments to, or waivers from, any provision of the Code of Ethics. The reference to the Company's website address in this Annual Report does not include or incorporate by reference the information on the Company's website into this Annual Report.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

BDO Ziv Haft has served as our independent registered public accountant since 2022 and has audited our consolidated financial statements for the years ended December 31, 2024, 2023, 2022 and 2021.

The following table shows the aggregate fees for services rendered by BDO Ziv Haft to us and our subsidiaries, in the fiscal year ended December 31, 2024 and 2023.

(in USD)	Year Ended December 31,	
	2024	2023
Audit Fees (1)	\$ 327,350	\$ 286,500
Tax Fees (2)	-	-
All Other Fees (3)	-	\$ -
Total	\$ 327,350	\$ 286,500

Auditor Name	Auditor Location	Auditor Firm ID
Ziv Haft	Tel Aviv, Israel	03-6386868

- (1) Consists of fees for audit services related to the audit of our annual consolidated financial statements and the review of our consolidated financial statements. As of December 31, 2024 and 2023, the Audit Fees incurred also included \$91,500 and \$71,250, respectively, in fees relating to services performed in connection with statutory audits, and securities offerings, if applicable, including comfort letters, consents and review of documents filed with the SEC and other offering documents.
- (2) The aggregate fees billing for tax compliance, tax advice and tax planning.
- (3) The aggregate fees billed for products and services provided by the auditors of the Company, other than as described above.

Audit and Risk Committee Pre-Approval Policies and Procedures

Our audit committee reviews and pre-approves the scope and the cost of audit services related to us and permissible non-audit services performed by the independent auditors. All of the services related to us provided by Ziv Haft during the last fiscal year have been pre-approved by our audit committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARD FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASER

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

We are a “foreign private issuer,” as defined by the SEC. As a result, in accordance with Nasdaq rules, we will comply with home country governance requirements and certain exemptions thereunder rather than complying with Nasdaq corporate governance standards. While we expect to voluntarily follow most Nasdaq corporate governance rules, we may choose to take advantage of the following limited exemptions:

- Exemption from filing quarterly reports on Form 10-Q containing unaudited financial and other specified information or current reports on Form 8-K upon the occurrence of specified significant events;
- Exemption from Section 16 rules requiring insiders to file public reports of their securities ownership and trading activities and providing for liability for insiders who profit from trades in a short period of time;
- Exemption from quorum requirements for shareholder meetings;
- Exemption from the Nasdaq rules applicable to domestic issuers requiring disclosure within four business days of any determination to grant a waiver of the code of business conduct and ethics to directors and officers;
- Exemption from the requirement to obtain shareholder approval for certain issuances of securities, including shareholder approval of share option plans;
- Exemption from the requirement that our audit committee have review and oversight responsibilities over all “related party transactions,” as defined in Item 7.B of Form 20-F;
- Exemption from the requirement that our board have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities. We currently have only director who serves on the compensation committee who meets the heightened independence standards for members of a compensation committee; and
- Exemption from the requirements that director nominees are selected, or recommended for selection by our board, either by (1) independent directors constituting a majority of our board’s independent directors in a vote in which only independent directors participate, or (2) a committee comprised solely of independent directors, and that a formal written charter or board resolution, as applicable, addressing the nominations process is adopted.

Furthermore, Nasdaq Rule 5615(a)(3) provides that a foreign private issuer, such as we, may rely on home country corporate governance practices in lieu of certain of the rules in the Nasdaq Rule 5600 Series and Rule 5250(d), provided that we nevertheless comply with Nasdaq’s Notification of Noncompliance requirement (Rule 5625), the Voting Rights requirement (Rule 5640) and that we have an audit committee that satisfies Rule 5605(c)(3), consisting of committee members that meet the independence requirements of Rule 5605(c)(2)(A)(ii). The Company has elected to (a) amend its 2022 Equity Incentive Plan to increase the number of shares authorized under the plan without stockholder approval, (b) follow home country practice in lieu of the requirements under Nasdaq Rule 5635(d) to seek shareholder approval in connection with certain transactions involving the sale, issuance and potential issuance of its Ordinary Shares (or securities convertible into or exercisable for its Ordinary Shares) at a price less than certain referenced prices, if such shares equal 20% or more of the Company’s Ordinary Shares or voting power outstanding before the issuance, (c) follow home country practice in lieu of the requirements under Nasdaq Rule 5635(c) to seek shareholder approval in connection with the establishment or material amendment of a stock option or purchase plan or arrangement pursuant to which stock may be acquired by officers, directors, employees or consultants, and (d) follow home country practice in lieu of the requirements under Nasdaq Rule 5605(c)(2)(A) that require the Company to have an audit committee of at least three members.

Accordingly, our shareholders will not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of Nasdaq. We may utilize these and possibly other future exemptions for as long as we continue to qualify as a foreign private issuer.

The Company structured its corporate governance in a manner it believes closely aligns its interests with those of its shareholders. Notable features of this corporate governance include:

- The Company has three independent directors and independent director representation on our audit and compensation committees immediately. Furthermore, until members of a nominating committee have been appointed, director nominees will be selected, or recommended for the Board's selection, by independent directors constituting a majority of the Board's independent directors in a vote in which only independent directors participate.
- The independent directors will meet regularly in executive sessions without the presence of our corporate officers or non-independent directors;
- The Company implemented a range of other corporate governance practices, including a robust director education program.

At this time, the Company does not have on its Audit Committee at least one member who qualifies as an "audit committee financial expert" as defined by the SEC; however, the Company believes that all of the audit committee members are able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. Additionally, at least one member of the audit committee has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, and accordingly believes that the audit committee can properly fulfill its functions and role as if at least one member was an "audit committee financial expert" as defined by the SEC.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

We have adopted insider trading policies and procedures governing the purchase, sale, and other dispositions of our securities by directors, senior management, and employees that are reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to our company. The insider trading policy is filed as an exhibit to this Annual report on Form 20-F.

ITEM 16K. CYBERSECURITY

Since our formation, our business focus has primarily been on identifying brands and manufacturers in order to create a new market standard for circular economy solutions, brand authentication and supply chain integrity, using our proprietary technology. We have 19 full and part time employees and also use third-party vendors and service providers for certain activities.

We use a third-party sub-contractor to manage all Information Technology (IT) issues, including protection against, detection, and response to cyberattacks.

The measures that are taken to ensure proper protection include:

- All computers are protected using a cloud-powered endpoint security solution that helps enterprises prevent, detect, investigate, and respond to advanced threats on their networks. It offers endpoint protection, endpoint detection and response, mobile threat defense, and integrated vulnerability management. It also provides, among other things, malware and spyware detection and remediation, rootkit detection and remediation and network vulnerability detection.
- All Company e-mails are protected by a cloud-based email filtering service designed to protect the Company against advanced threats related to email and collaboration tools.
- Periodically, all users on the Company's computer network are required to perform multi-factor authentication.
- The Company uses a cloud-based identity and access management service that enables access to external resources, which use two-factor authentication.
- Backup is performed using a secure, automatic cloud-based backup and restore service.

Additionally, we believe that our third-party vendors and service providers have their own respective cybersecurity protocols which our management believes to be adequate for protecting any of the Company's data that might be in their possession from time to time; however, having such protocols is not necessarily a condition for us using or not using the services of any such vendors or providers.

Our senior management and part-time chief technology officer is responsible for assessing and managing cybersecurity risks, through oversight of our IT service provider that manages our IT, but our management does not have specific cybersecurity expertise. The Company has an Information Technology Policy that, among other things, governs and provides for cybersecurity policies and processes, including to define safety measures to protect the Company's confidentiality, integrity and availability of data and other intellectual property, as well as to define the manner in which information is stored, saved and routed in the Company's network. Additionally, the Board and management believe cybersecurity represents an important component of the Company's overall approach to risk management and oversight. The Company also has cybersecurity insurance in effect as of the date of this Annual Report on Form 20-F.

Cybersecurity threats have not materially affected, and are not reasonably likely to affect, the Company, including its business strategy, results of operations or financial condition while we are strategically focused on pursuing brands and manufacturers. The Company is not aware of any material security breach to date. Accordingly, the Company has not incurred any expenses over the last two years relating to information security breaches. The occurrence of cyber-incidents, or a deficiency in our cybersecurity or in those of any of our third-party service providers could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information and systems, or damage to our business relationships or reputation, all of which could negatively impact our business and results of operations. There can be no assurance that the Company's third-party vendors' and service providers' cybersecurity risk management processes, including their policies, controls or procedures, will be fully implemented, complied with or effective in protecting the Company's systems and information.

PART III

ITEM 17. FINANCIAL STATEMENTS

See pages F-1 though F-54 of this Annual Report.

ITEM 18. FINANCIAL STATEMENTS

Not applicable.

ITEM 19. EXHIBITS**EXHIBIT INDEX**

Exhibit No.	Description
1.1	<u>Articles of Association of the Company (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form F-4 (Reg. No. 333-267301), as amended, initially filed with the SEC on September 6, 2022).</u>
1.2	<u>Form of Amended and Restated Memorandum and Articles of Association of the Company (incorporated by reference to Annex C to the Registration Statement on Form F-4 (Reg. No. 333-267301), as amended, initially filed with the SEC on September 6, 2022).</u>
1.3	<u>Deed of Variation-Scheme Implementation Deed, dated January 8, 2023, by and among Lionheart III Corp., Empatan Public Limited Company and Security Matters PTY (incorporated by reference to Annex B-2 to the Registration Statement on Form F-4 (Reg. No. 333-267301), as amended, filed with the SEC on January 12, 2023).</u>
1.4	<u>Constitution True Gold Consortium Pty Ltd. (incorporated by reference to Exhibit 10.19 to the Registration Statement on Form F-4 (Reg. No. 333-267301), as amended, filed with the SEC on December 28, 2022).</u>
1.5	<u>Certificate of Incorporation on Change of Name (incorporated by reference to Exhibit 3.5 to the Registration Statement on Form F-1 (Reg. No. 333-270674), as amended, initially filed with the SEC on March 17, 2023).</u>
1.6	<u>Amended Public Limited Company Constitution of SMX (Security Matters) Public Limited Company Memorandum of Association (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 6-K filed with the SEC on August 18, 2023).</u>
1.7	<u>Further Amended Public Limited Company Constitution of SMX (Security Matters) Public Limited Company Memorandum of Association (incorporated by reference to Exhibit 3.7 to the Registration Statement on Form F-1 (Reg. No. 333-274774), as amended, initially filed with the SEC on September 29, 2023).</u>
1.8	<u>Public Limited Company Constitution of SMX (Security Matters) Public Limited Company Memorandum of Association (incorporated by reference to Exhibit 1.1 to the Company's Report on Form 6-K filed with the SEC on July 11, 2024).</u>
1.9*	<u>Amended Public Limited Company Constitution of SMX (Security Matters) Public Limited Company Memorandum of Association.</u>
2.1*	<u>Description of Securities</u>

2.2 [Warrant Agreement, dated November 3, 2021, by and between the Company and Continental Stock Transfer & Trust Company \(incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed by Lionheart III Corp with the SEC on November 9, 2021\)](#)

2.3 [Form of Warrant A \(incorporated by reference to Exhibit 4.3 to the Registration Statement on Form F-1 \(Reg. No. 333-272503\), as amended, initially filed with the SEC on June 7, 2023\)](#)

2.4 [Form of Warrant B \(incorporated by reference to Exhibit 4.4 to the Registration Statement on Form F-1 \(Reg. No. 333-272503\), as amended, initially filed with the SEC on June 7, 2023\)](#)

2.5 [Form of Warrant Agent Agreement with Respect to Warrant A, by and between the Company and Continental Stock Transfer & Trust Company \(incorporated by reference to Exhibit 4.7 to the Registration Statement on Form F-1 \(Reg. No. 333-272503\), as amended, initially filed with the SEC on June 7, 2023\)](#)

2.6 [Form of Warrant Agent Agreement with Respect to Warrant B, by and between the Company and Continental Stock Transfer & Trust Company \(incorporated by reference to Exhibit 4.8 to the Registration Statement on Form F-1 \(Reg. No. 333-272503\), as amended, initially filed with the SEC on June 7, 2023\)](#)

2.7 [Form of New Warrant \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 6-K filed with the SEC on December 7, 2023\)](#)

2.8 [Form of Warrant \(incorporated by reference to Exhibit 2.17 to the Company's Annual Report on Form 20-F, as amended, initially filed with the SEC on April 30, 2024\).](#)

2.9 [Ordinary Share Purchase Warrant \(incorporated by reference to Exhibit 4.1 to the Company's Report on Form 6-K filed with the SEC on July 9, 2024\).](#)

2.10 [Form of Series A Warrants \(incorporated by reference to Exhibit 99.4 of the Company's Report on Form 6-K filed with the SEC on September 16, 2024\).](#)

4.1 [Form of Indemnity Agreement \(incorporated by reference to Exhibit 10.6 to the Registration Statement on Form F-4 \(Reg. No. 333-267301\), as amended, initially filed with the SEC on September 6, 2022\).](#)

4.2 [Employment Agreement, dated June 1, 2021, by and between Security Matters Ltd. and Haggai Alon \(incorporated by reference to Exhibit 10.12 to the Registration Statement on Form F-4 \(Reg. No. 333-267301\), as amended, filed with the SEC on December 28, 2022\).](#)

4.3 [Amendment I, dated June 9, 2022, to Employment Agreement dated June 1, 2021, by and between Security Matters Ltd. and Haggai Alon \(incorporated by reference to Exhibit 10.14 to the Registration Statement on Form F-4 \(Reg. No. 333-267301\), as amended, filed with the SEC on December 28, 2022\).](#)

4.4 [License Agreement, dated January 1, 2015, by and between Isorad Ltd. and Security Matters Ltd. \(incorporated by reference to Exhibit 10.16 to the Registration Statement on Form F-4 \(Reg. No. 333-267301\), as amended, filed with the SEC on December 28, 2022\).](#)

4.5 [Amendment to License Agreement, dated July 10, 2018, by and between Isorad Ltd. and Security Matters Ltd. \(incorporated by reference to Exhibit 10.17 to the Registration Statement on Form F-4 \(Reg. No. 333-267301\), as amended, filed with the SEC on December 28, 2022\).](#)

4.6 [Addendum to License Agreement, dated April 30, 2019, by and between Isorad Ltd. and Security Matters Ltd. \(incorporated by reference to Exhibit 10.18 to the Registration Statement on Form F-4 \(Reg. No. 333-267301\), as amended, filed with the SEC on December 28, 2022\).](#)

4.7 [TrueGold Licensing Agreement dated July 26, 2020, by and between Security Matters Ltd. and True Gold Consortium Pty Ltd. \(incorporated by reference to Exhibit 10.20 to the Registration Statement on Form F-4 \(Reg. No. 333-267301\), as amended, filed with the SEC on December 28, 2022\).](#)

4.8 [Shareholders Agreement dated July 27, 2020 by and among Security Matters PTY, W.A. Mint Pty Ltd. and True Gold Consortium Pty Ltd. \(incorporated by reference to Exhibit 10.21 to the Registration Statement on Form F-4 \(Reg. No. 333-267301\), as amended, filed with the SEC on December 28, 2022\).](#)

4.9 [True Gold R&D Services Agreement dated November 16, 2022, by and between Security Matters Ltd. and True Gold Consortium Pty Ltd. \(incorporated by reference to Exhibit 10.22 to the Registration Statement on Form F-4 \(Reg. No. 333-267301\), as amended, filed with the SEC on December 28, 2022\).](#)

4.10 [Services Agreement dated June 16, 2021, by and between Security Matters PTY and True Gold Consortium Pty Ltd. \(incorporated by reference to Exhibit 10.23 to the Registration Statement on Form F-4 \(Reg. No. 333-267301\), as amended, filed with the SEC on December 28, 2022\).](#)

4.11 [Amendment, dated May 26, 2022, to True Gold R&D Services Agreement, by and between Security Matters, Ltd. and True Gold Consortium Pty. Ltd. \(incorporated by reference to Exhibit 10.24 to the Registration Statement on Form F-4 \(Reg. No. 333-267301\), as amended, filed with the SEC on December 28, 2022\).](#)

4.12 [Shareholders Agreement dated April 30, 2019, by and among Security Matters Ltd., Trifecta Industries Ltd. and Newco \(incorporated by reference to Exhibit 10.25 to the Registration Statement on Form F-4 \(Reg. No. 333-267301\), as amended, filed with the SEC on December 28, 2022\).](#)

4.13 [Chairman Agreement dated July 26, 2022, by and among Ophir Sternberg and the Company \(incorporated by reference to Exhibit 10.26 to the Registration Statement on Form F-4 \(Reg. No. 333-267301\), as amended, filed with the SEC on December 28, 2022\).](#)

4.14 [Independent Contractor Agreement dated July 26, 2022, by and among Faquiry Diaz and the Company \(incorporated by reference to Exhibit 10.27 to the Registration Statement on Form F-4 \(Reg. No. 333-267301\), as amended, filed with the SEC on December 28, 2022\).](#)

4.15 [Form of Assignment, Assumption and Amendment Agreement with respect to the Warrant Agreement \(incorporated by reference to Exhibit 4.4 to the Registration Statement on Form F-4 \(Reg. No. 333-267301\), as amended, filed with the SEC on December 28, 2022\).](#)

4.16 [Form of Specific Security Deed \(incorporated by reference to Exhibit 4.30 to the Shell Company Report on Form 20-F \(File No. 001-41639\), as amended, filed with the SEC on March 7, 2023\).](#)

4.17 [Form of 15% Senior Convertible Note due 2024 Growth Financing Termsheet \(incorporated by reference to Exhibit 4.31 to the Shell Company Report on Form 20-F \(File No. 001-41639\), as amended, filed with the SEC on March 7, 2023\).](#)

4.18 [Amended and Restated Promissory Note with Lionheart Management, LLC and Lionheart Equities, LLC, dated March 7, 2023 \(incorporated by reference to Exhibit 4.32 to the Shell Company Report on Form 20-F \(File No. 001-41639\), as amended, filed with the SEC on March 7, 2023\).](#)

4.19 [2022 Incentive Equity Plan \(incorporated by reference to Exhibit 4.33 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.20 [Form of 2022 Incentive Equity Plan, Option Award Agreement \(incorporated by reference to Exhibit 4.44 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.21 [Form of 2022 Incentive Equity Plan, RSU Award Agreement \(incorporated by reference to Exhibit 4.45 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.22 [Amendment to Binding Terms of Agreement, dated March 1, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.46 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.23 [Amendment to 10% Secured Notes, dated March 1, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.47 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.24 [Amendment to Binding Terms of Agreement, dated March 1, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.48 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.25 [Amendment to Senior Secured Promissory Note Due August 24, 2024, dated March 1, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.49 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.26 [Amendment to Senior Secured Promissory Note, dated March 2, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.50 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022 filed with the SEC on April 28, 2023\).](#)

4.27 [Amendment to 10% Secured Notes Due July 1st, 2023, dated March 1, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.51 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.28 [Amendment to 10% Secured Notes, dated March 1, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.52 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.29 [Amendment to 10% Secured Bridge Notes, dated March 1, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.53 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.30 [Amendment to Binding Terms of Agreement, dated March 1, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.54 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.31 [Amendment to Loan Agreement, dated March 2, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.55 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.32 [Amendment to Senior Secured Promissory Note Due July 31, 2023, dated March 5, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.56 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.33 [Amendment to Senior Secured Promissory Note Due December 19, 2023, dated March 1, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.57 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.34 [Conversion and Exchange Rights Agreement, dated March 1, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.58 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.35 [Conversion and Exchange Rights Agreement, dated March 1, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.59 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.36 [Amendment to Senior Secured Promissory Note Due December 19, 2023, dated March 1, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.60 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.37 [Amendment to Senior Secured Promissory Note Due July 31, 2023, dated March 5, 2023, by and between the Company and Subscriber \(incorporated by reference to Exhibit 4.61 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.38 [Amended and Restated Promissory Note dated as of March 7, 2023, in favor of Lionheart Management, LLC and Lionheart Equities, LLC \(incorporated by reference to Exhibit 4.62 to the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 28, 2023\).](#)

4.39 [Amendment dated April 27, 2023 to Amended and Restated Promissory Note dated as of March 7, 2023 \(incorporated by reference to Exhibit 4.63 to the Company's Annual Report on Form 20-F filed with the SEC on April 28, 2023\).](#)

4.40 [Employment Agreement by and between Security Matters Pty and Zeren Browne, dated July 21, 2022 \(incorporated by reference to Exhibit 10.64 to the Company's Registration Statement on Form F-1 \(Reg No. 333-276258\), as amended, initially filed with the SEC on December 22, 2023\).](#)

4.41 [Form of Conversion and Exchange Rights Agreement \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 6-K filed with the SEC on January 25, 2024\).](#)

4.42 [Form of Conversion and Exchange Rights Agreement \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 6-K filed with the SEC on January 25, 2024\).](#)

4.43 [Form of Inducement Letter \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 6-K filed with the SEC on December 7, 2023\).](#)

4.44 [Investment Agreement dated as of October 3, 2023 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 6-K filed with the SEC on October 10, 2023\).](#)

4.45 [Private Placement Binding Term Sheet by and between the Company and Steve Wallitt, dated February 25, 2024 \(incorporated by reference to Exhibit 10.71 the Company's Registration Statement on Form F-1 \(Reg. No. 333-277482\), as amended, filed with the SEC on March 7, 2024\).](#)

4.46 [Form of Conversion and Exchange Rights Agreement \(incorporated by reference to Exhibit 4.77 to the Company's Annual Report on Form 20-F, filed with the SEC on April 30, 2024\).](#)

4.47 [Underwriting Agreement, dated February 15, 2024 \(incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 6-K filed with the SEC on February 16, 2024\).](#)

4.48 [Loan Agreement, dated December 27, 2024, with Abri Advisors Ltd. \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 6-K filed with the SEC on December 30, 2024\).](#)

4.49 [Conversion and Exchange Rights Agreement \(incorporated by reference to Exhibit 10.3 to the Company's Report on Form 6-K filed with the SEC on July 9, 2024\).](#)

4.50 [Conversion and Exchange Rights Agreement \(incorporated by reference to Exhibit 10.4 to the Company's Report on Form 6-K filed with the SEC on July 9, 2024\).](#)

4.51 [Letter of Intent, dated July 10, 2024, with PMB Partners, LP \(incorporated by reference to Exhibit 10.1 to the Company's Report on Form 6-K filed with the SEC on July 22, 2024\).](#)

4.52 [Securities Purchase Agreement \(incorporated by reference to Exhibit 10.1 of the Company's Report on Form 6-K filed with the SEC on September 10, 2024\).](#)

4.53 [Promissory Note \(incorporated by reference to Exhibit 10.2 of the Company's Report on Form 6-K filed with the SEC on September 10, 2024\).](#)

4.54 [Subscription Agreement with PMB Partners, LP \(incorporated by reference to Exhibit 10.3 of the Company's Report on Form 6-K filed with the SEC on September 10, 2024\).](#)

4.55 [Notes Exchange Agreement with PMB Partners, LP \(incorporated by reference to Exhibit 10.4 of the Company's Report on Form 6-K filed with the SEC on September 10, 2024\).](#)

4.56 [Share Exchange Agreement with PMB Partners, LP \(incorporated by reference to Exhibit 10.5 of the Company's Report on Form 6-K filed with the SEC on September 10, 2024\).](#)

4.57 [Convertible Note with PMB Partners, LP \(incorporated by reference to Exhibit 10.6 of the Company's Report on Form 6-K filed with the SEC on September 10, 2024\).](#)

4.58 [Senior Promissory Note with PMB Partners, LP \(incorporated by reference to Exhibit 10.7 of the Company's Report on Form 6-K filed with the SEC on September 10, 2024\).](#)

4.59 [Placement Agent Agreement \(incorporated by reference to Exhibit 99.1 of the Company's Report on Form 6-K filed with the SEC on September 16, 2024\).](#)

4.60 [Form of Securities Purchase Agreement \(incorporated by reference to Exhibit 99.2 of the Company's Report on Form 6-K filed with the SEC on September 16, 2024\).](#)

4.61 [Form of Registration Rights Agreement \(incorporated by reference to Exhibit 99.3 of the Company's Report on Form 6-K filed with the SEC on September 16, 2024\).](#)

4.62 [Engagement Letter with RBW \(incorporated by reference to Exhibit 99.1 of the Company's Report on Form 6-K filed with the SEC on May 8, 2025\).](#)

4.63 [Form of Securities Purchase Agreement \(incorporated by reference to Exhibit 99.2 of the Company's Report on Form 6-K filed with the SEC on May 8, 2025\).](#)

4.64 [Form of Promissory Note \(incorporated by reference to Exhibit 99.3 of the Company's Report on Form 6-K filed with the SEC on May 8, 2025\).](#)

4.65* [Amendment No. 2 to Senior Note](#)

4.66* [Amendment No. 2 to Promissory Note](#)

8.1* [List of Subsidiaries of the Company.](#)

11.1 [Company's Code of Conduct and Business Ethics \(incorporated by reference to Exhibit 11.1 to the Company's Annual Report on Form 20-F filed with the SEC on May 1, 2023\).](#)

11.2 [Company's Insider Trading Policy \(incorporated by reference to Exhibit 11.2 to the Company's Annual Report on Form 20-F filed with the SEC on May 1, 2023\).](#)

12.1* [Certification by Principal Executive Officer pursuant to Securities Exchange Act Rules 13-a-12\(a\) and 15d-14\(a\) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

12.2* [Certification by Principal Financial Officer pursuant to Securities Exchange Act Rules 13-a-12\(a\) and 15d-14\(a\) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

13.1*	<u>Certification by the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
13.2*	<u>Certification by the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
15.1	<u>Relevant Territories for withholding Tax on Dividends (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form F-1 (Reg. No. 333-270674), as amended, initially filed with the SEC on March 17, 2023).</u>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document).

Indicates a management contract or any compensatory plan, contract or arrangement

* Filed herewith

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Report on its behalf.

SMX (SECURITY MATTERS) PUBLIC LIMITED COMPANY

May 14, 2025

By: /s/ Haggai Alon
Name: Haggai Alon
Title: CEO

INDEX TO FINANCIAL STATEMENTS

SMX (SECURITY MATTERS) PUBLIC LIMITED COMPANY

CONSOLIDATED FINANCIAL STATEMENTS **AS OF DECEMBER 31, 2024**

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The amounts are stated in thousands of U.S. Dollars

**Report of Independent Registered Public Accounting Firm
to the Shareholders of**

SMX (SECURITY MATTERS) PUBLIC LIMITED COMPANY

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of SMX (Security Matters) Public Limited Company and subsidiaries (the “Company”) as of December 31, 2024, and 2023, the related consolidated statements of comprehensive loss, changes in equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively, the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1.D to the consolidated financial statements, the Company has suffered recurring losses and negative cash flows from operations since inception, and as of December 31, 2024, the Company incurred accumulated losses of \$82 million. Further, as discussed in note 1.D, the Company was noncompliant with Nasdaq Listing Rule with respect to the bid price of the Company’s ordinary shares on the Nasdaq Capital Market. The Company’s operations have been funded substantially through the issuance of shares and warrants, and convertible notes. These factors and the Company’s dependency on external funding for its operations, raises substantial doubts about the Company’s ability to continue as a going concern. Management’s evaluation of the events and conditions and management’s plans regarding these matters are described in Note 1.D. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Tel-Aviv, Israel
May 14, 2025

We have served as the Company’s auditor since 2022

Ziv Haft

Certified Public Accountants (Isr.)
BDO Member Firm

	<u>Note</u>	December 31, 2024	December 31, 2023
		US\$ in thousands	
Current assets			
Cash and cash equivalents		2,343	168
Other current receivables	4	1,993	634
Total current assets		4,336	802
Non-current assets			
Intangible assets, net	3,7	12,328	16,486
Goodwill	3,7	26,144	32,957
Property, plant and equipment, net	5	268	411
Right of use assets	14	348	389
Investment in associated company	6	105	115
Total non-current assets		39,193	50,358
Total assets		43,529	51,160
Current liabilities			
Trade payables		9,432	10,515
Other payables	15	4,350	2,483
Short term loan	12	1,000	-
Convertible notes	8	3,651	377
Warrants - derivative financial liability	11	1,384	1,143
Pre-paid advance	13	-	700
Bridge loans liabilities	9	902	1,750
Convertible promissory note	8	-	1,013
Lease liabilities	14,26	81	41
Total current liabilities		20,800	18,022
Non-current liabilities			
Lease liabilities	14	337	411
Bridge loans liabilities	9	-	483
Total non-current liabilities		337	894
Total liabilities		21,137	18,916
Equity			
Issued capital and additional paid-in capital	17	89,976	62,901
Foreign currency translation reserve		(1,797)	(491)
Transaction with non-controlling interest reserve		258	-
Accumulated losses		(82,026)	(50,934)
Total equity attributable to owners of the parent		6,411	11,476
Non- controlling interest		15,981	20,768
Total equity		22,392	32,244
Total equity and liabilities		43,529	51,160

May 14, 2025

Date of approval of financial statements

Amir Bader

Interim Chief Financial Officer

Haggai Alon

Chief Executive Officer

Thomas Hawkins

Audit Committee Chairperson

The accompanying notes are an integral part of the financial statements.

	Note	Year ended		
		December 31, 2024	December 31, 2023	December 31, 2022
		US\$ in thousands		
General and administrative expenses	18	12,729	16,567	2,723
Research and development expenses	19	3,059	2,711	1,898
Selling and marketing expenses	20	992	661	569
Impairment and amortization	7	11,085	-	-
Listing expenses		-	16,802	-
Operating loss		(27,865)	(36,741)	(5,190)
Finance expenses		13,493	7,891	1,128
Finance income		5,957	1,580	28
Gain from remeasurement of investment in associated company		-	22,164	-
Share of net profit (loss) of associated companies	6	-	(101)	106
Loss before income tax		(35,401)	(20,989)	(6,184)
Income tax	21	-	-	-
Net loss		(35,401)	(20,989)	(6,184)
Other comprehensive loss:		(1,265)	(283)	(760)
Total comprehensive loss		(36,666)	(21,272)	(6,944)
Net loss attributable to:				
Equity holders of the Company		(31,092)	(20,914)	-
Non- controlling interest		(4,309)	(75)	-
Basic and diluted loss per share attributable to shareholders	18	(248)⁽¹⁾	(16,557)⁽¹⁾	(17,624)⁽¹⁾⁽²⁾

(1) The share and per share information in these financial statements reflects the 1-for-75 and 1 for 28.5 reverse share splits became effective on July 15, 2024 and January 15, 2025, respectively of the Company's issued and outstanding Ordinary Shares (the "Reverse Stock Splits"). See also Note 1.F and 1.G.

(2) Restated as a result of the SPAC transaction and after giving effect to the Reverse Stock Splits. See also Note 1.B.

The accompanying notes are an integral part of the consolidated financial statements.

	Issued capital and Additional paid-in capital	Transaction with non- controlling interest	Foreign currency translation reserve	Accumulated loss	Total equity attributable to owners of the parent	Non- controlling interests	Total equity
Balance as of January 1, 2024	62,901	-	(491)	(50,934)	11,476	20,768	32,244
Comprehensive loss							
Net loss	-	-	-	(31,092)	(31,092)	(4,309)	(35,401)
Other comprehensive loss	-	-	(1,306)	-	(1,306)	41	(1,265)
Total comprehensive loss	-	-	(1,306)	(31,092)	(32,398)	(4,268)	(36,666)
Issuance of ordinary shares, net	1,684	-	-	-	1,684	-	1,684
Share-based compensation	3,657	-	-	-	3,657	-	3,657
Conversion of convertible notes into ordinary shares	7,529	-	-	-	7,529	-	7,529
Conversion of bridge loan into ordinary shares and warrants	128	-	-	-	128	-	128
Conversion of pre-paid advanced into ordinary shares	527	-	-	-	527	-	527
Issuance of investment units	2,699	-	-	-	2,699	-	2,699
Exercise of warrants and options into ordinary shares, net	10,590	-	-	-	10,590	-	10,590
Transaction with non-controlling interests	261	258	-	-	519	(519)	-
Balance as of December 31, 2024	89,976	258	(1,797)	(82,026)	6,411	15,981	22,392

The accompanying notes are an integral part of the consolidated financial statements.

	Issued capital and Additional paid-in capital	Foreign currency translation reserve	Accumulated loss	Total equity attributable to owners of the parent	Non- controlling interests	Total equity
Balance as of January 1, 2023	32,713	(537)	(30,020)	2,156	-	2,156
Comprehensive loss						
Net loss	-	-	(20,914)	(20,914)	(75)	(20,989)
Other comprehensive income	-	46	-	46	17	63
Total comprehensive loss	-	46	(20,914)	(20,868)	(58)	(20,926)
Issuance of ordinary shares, net	4,896	-	-	4,896	-	4,896
Recapitalization due to issuance of ordinary shares following the SPAC transaction, net	11,460	-	-	11,460	-	11,460
Share-based compensation	3,269	-	-	3,269	-	3,269
Conversion of financial liabilities into ordinary shares	5,955	-	-	5,955	-	5,955
Exercise of options into ordinary shares	10	-	-	10	-	10
Issuance of ordinary shares and warrants B, net	1,837	-	-	1,837	-	1,837
Conversion of warrants A into ordinary shares	1,008	-	-	1,008	-	1,008
Exercise of warrants B into ordinary shares, net	888	-	-	888	-	888
Issuance of warrants B after reset	865	-	-	865	-	865
Non-controlling interests arising from initially consolidated companies	-	-	-	-	20,826	20,826
Balance as of December 31, 2023	62,901	(491)	(50,934)	11,476	20,768	32,244

The accompanying notes are an integral part of the consolidated financial statements.

	Issued capital and Additional paid-in capital	Foreign currency translation reserve	Accumulated loss	Total equity
Balance as of January 1, 2022	31,504	223	(23,836)	7,891
Comprehensive loss				
Loss after income tax for the year	-	-	(6,184)	(6,184)
Other comprehensive loss for the year	-	(760)	-	(760)
Total comprehensive loss for the year	-	(760)	(6,184)	(6,944)
Issuance of ordinary shares, net	182	-	-	182
Share-based compensation	306	-	-	306
Issuance of options to acquire intangible asset	721	-	-	721
Balance as of December 31, 2022	32,713	(537)	(30,020)	2,156

The accompanying notes are an integral part of the consolidated financial statements.

SMX (SECURITY MATTERS) PUBLIC LIMITED COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS



	<u>Year ended December 31, 2024</u>	<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>
	<u>US\$ in thousands</u>		
<u>Cash flows from operating activities:</u>			
Loss before tax for the year	(35,401)	(20,914)	(6,184)
Share based compensation	3,657	3,269	306
Depreciation and amortization	2,273	225	290
Decrease (increase) in other current receivables	140	2,938	(2,936)
Impairment of intangible assets	2,197	-	-
Impairment of goodwill	6,813	-	-
Increase (decrease) in trade payables	(2,780)	2,074	2,217
Increase (decrease) in other payables	1,761	(235)	114
Increase in other liabilities	-	19	17
Revaluation of financial liabilities at fair value	1,890	1,496	387
Interest expenses and revaluation of convertible notes	6,818	3,899	51
Financial expenses due to bridge loans principal amounts	435	-	-
Remeasurement of investment in associated company	-	(22,164)	-
Provision of borrowing to related parties	-	-	621
Share in (earnings) losses of associated companies, net	-	101	(106)
Issuance of ordinary shares due to underwriter fees	238	11	-
Issuance cost due to inducement Alpha warrant B's exercise price	184	-	-
Issuance of ordinary shares due to commitment fee	460	-	-
SPAC transaction - listing costs	-	16,802	-
Net cash flow used in operating activities	(11,314)	(12,479)	(5,223)
<u>Cash flows from investing activities:</u>			
Purchase of property, plant and equipment	(21)	(60)	(152)
Capitalized development cost	(169)	(976)	(975)
Net cash flow used in investing activities	(190)	(1,036)	(1,127)
<u>Cash flows from financing activities:</u>			
Payments of borrowings to related parties	-	-	(172)
Payment of lease liabilities	(80)	(42)	(55)
Repayment of bridge loans	(34)	(30)	-
Repayment of pre-paid advances/Advance payment for equity, net	(423)	2,679	-
Proceeds from issuance of ordinary shares and pre-funded warrants	6,945	2,630	182
Exercise of warrants and pre-funded warrants into ordinary shares	2,399	642	-
Proceeds from issuance of convertible notes and warrants	3,303	2,606	581
Proceeds from short term loan	1,000	-	-
Proceeds from issuance of bridge loans and warrants	-	550	3,310
Issuance of shares in the SPAC transaction, net	-	2,919	-
Net cash flow provided by financing activities	13,110	11,954	3,846
Increase (decrease) in cash and cash equivalents	1,606	(1,561)	(2,504)
Cash and cash equivalents at beginning of year	168	1,398	4,171
Exchange rate differences on cash and cash equivalent	569	331	(269)
Cash and cash equivalents at end of year	2,343	168	1,398

SMX (SECURITY MATTERS) PUBLIC LIMITED COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS



	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
	US\$ in thousands		

Appendix A – Non-cash transactions during the year:

Conversion of financial liability into ordinary shares	645	5,330	-
Conversion of bridge loans into ordinary shares and warrants	128	5,192	-
Conversion of convertible notes and warrants into ordinary shares	8,530	175	-
Exercise of cashless options into ordinary shares	314	2,925	-
Exercise of warrants and pre-funded warrants into ordinary shares	4,824	1,008	-
Issuance cost	152	-	-
Other current receivable in connection to exercise of Series A			
Common Warrant	1,510	-	-
Remeasurement of investment in associated company	-	(22,164)	-

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 - GENERAL:

A. SMX (Security Matters) Public Limited Company (“Security Matters” or the “Company” and together with its subsidiaries, the “Group” or the “consolidated entity”) was incorporated on July 1, 2022 under the laws of Ireland with registered number 722009 and its registered office at Mesnil Business Center, Mesnil House, Sussex Road, Dublin 4, Ireland, D04 T4A6. The Company was incorporated in 2022 as part of the Business Combination (see Note 1.B).

The Group provides one solution to solve both authentication and track challenges in order to uphold supply chain integrity and provide quality assurance and brand accountability to producers of goods. Its technology works as a track and trace system using a marker, a reader and an algorithm to identify embedded sub-molecular particles in order to track and trace different components along a production process (or any other marked good along a supply chain) to the end producer. Its proprietary marker system embeds a permanent or removable (depending on the needs of the customer) mark on solid, liquid or gaseous objects or materials. Each marker is comprised of a combination of marker codes such that each marker is designed to be unique and unable to be duplicated. The marker system is coupled with an innovative patented reader that responds to signals from the marker and, together with a patented algorithm, captures the details of the product retrieved and stored on a blockchain digital ledger. Each marker can be stored, either locally on the reader and on private servers, cloud servers or on a blockchain ledger, to protect data integrity and custody.

B. On March 7, 2023 (the “Closing Date”) the Company completed its SPAC transaction (the “Business Combination”) with Lionheart III Corp (“Lionheart”), following that Lionheart and Security Matters PTY Ltd. (formerly named Security Matters Limited, which was incorporated in May 2018 under Australian law) became the Company’s wholly-owned subsidiaries and the Company listed its ordinary shares and public warrants on the NASDAQ stock market under the tickers SMX and SMXWW, respectively. On July 26, 2022, Security Matters PTY Ltd. and Lionheart, a publicly traded special purpose acquisition company (SPAC), entered into a business combination agreement (the “BCA”) and accompanying scheme implementation deed (“SID”). Under the BCA, the existing Lionheart stockholders received the Company’s shares and warrants in exchange for their existing Lionheart shares and warrants and all shares existed in Security Matters PTY Ltd. were cancelled in return for the Company’s shares and resulting in Security Matters PTY Ltd. becoming a wholly owned subsidiary of the Company. Security Matters PTY Ltd. shareholders received consideration of 1 ordinary share per 10.3624 Security Matters PTY Ltd. shares, having an implied value of \$10.00 per ordinary share and the Company became the holder of all of the issued shares in Security Matters PTY Ltd. and Lionheart, with Security Matters PTY Ltd. being delisted from the Australian Stock Exchange.

The Business Combination resulted in 97.58% redemption by Lionheart’s public shareholders which resulted in leaving \$3,061 of funds remaining in the trust account.

C. On October 3, 2023, the Company signed an agreement with True Gold Consortium Pty Ltd.’s (“TrueGold”) shareholders to acquire an additional 7.5% which increased the Company’s holdings to 51.9% in TrueGold and resulted in the Company’s gaining control over TrueGold. In July 2024, the Company’s ownership percentage in TrueGold increased from 51.9% to 52.9%. See also note 3.

D. As of December 31, 2024, the Company incurred accumulated losses of \$82 million and continued to incurred operating losses and negative cash flows from operating activities during to date of this financial statements. The Company has not yet generated revenues and is required to obtain additional financing in order to continue to operate. In addition, as of December 31, 2024, the Company was noncompliant with Nasdaq Listing Rule with respect to the bid price of the Company’s ordinary shares on the Nasdaq Capital Market. The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern.

NOTE 1 – GENERAL (CONT.):

During the period, the Company entered into funding agreements of up to \$5,350 and convertible securities in the amount of \$747.5 and \$194.5 in addition to restructuring of debt of \$800 and \$500 in convertible and non-convertible notes, respectively, and received a short-term loan in the amount of \$1,000. The Company plans to continue the issuance of shares and warrants and secure convertible notes and other funding sources. There are no assurances, however, that the Company will be able to obtain an adequate level of financial resources that are required for the Company's long-term business plan. Considering the above, the Company's dependency on external funding for its operations raises a substantial doubt about the Company's ability to continue.

E. The Company operates primarily with 8 wholly owned subsidiaries and two majority owned subsidiaries, all of which have been consolidated in these consolidated financial statements

Controlled entity	Country of Incorporation	Percentage Owned December 31, 2024	Percentage Owned December 31, 2023
Security Matters (SMX) PLC	Ireland	100%	100%
Security Matters PTY Ltd.			
(Formerly - Security Matters Limited)	Australia	100%	100%
Lionheart III Corp	USA	100%	100%
SMX (Security Matters) Ireland Limited	Ireland	100%	100%
SMX Fashion and Luxury	France	100%	100%
TrueSilver SMX Platform Ltd.	Canada	100%	100%
SMX (Security Matters) Israel Ltd.			
(Formerly - Security Matters Ltd.)	Israel	100%	100%
Security Matters Canada Ltd.	Canada	100%	100%
SMX Beverages Pty Ltd.	Australia	100%	100%
SMX Circular Economy Platform PTE, Ltd.	Singapore	70%	100%
True Gold Consortium Pty Ltd.	Australia	52.9%*	51.9%*
SMX Circular Economy FZCO **	UAE	-	-

In addition, the Company's has the following investments in associated company:

Entity	Country of Incorporation	Percentage Owned December 31, 2024	Percentage Owned December 31, 2023
Yahalom Technologies Inc.	Canada	50%	50%

The proportion of ownership interest is equal to the proportion of voting power held.

*Owned by Security Matters PTY Ltd. (formerly - Security Matters Limited). In July 2024, ownership in the subsidiary increased from 51.9% to 52.9%. See also note 3.

**On March 26, 2025, subsequent balance sheet date, the Company established a fully owned entity incorporated in Dubai Multi Commodities Centre Authority, United Arab Emirates. See also note 28.

NOTE 1 – GENERAL (CONT.):

.F A. On July 15, 2024, the Company's Ordinary Shares began trading on the Nasdaq Capital Market post-reverse stock split of 75:1 under the symbol "SMX," with a new CUSIP number of G8267K208 and ISIN code IE000IG23NR9. Approved by shareholders and Board of Directors on June 11, 2024. This reverse split consolidated every 75 shares into one new ordinary share and was aimed at meeting Nasdaq's minimum bid price requirement of \$1.00 per share, reducing the number of outstanding shares from approximately 44.8 million to approximately 597 thousand. Fractional shares resulting from the split were aggregated and sold at market prices. Additionally, the par value of the Ordinary Shares increased from \$0.0022 to \$0.165. The Company's options, warrants, and convertible securities were adjusted proportionately, and the Public Limited Company Constitution was amended to reflect these changes. All share, options and warrants amount in these December 31, 2024, financial statements are presented post this reverse stock split. See note 22.

G. On January 15, 2025, after the balance sheet date, the Company's Ordinary Shares began trading on the Nasdaq Capital Market post-reverse stock split of 28.5:1 under the symbol "SMX," with a new CUSIP number of G8267K158 and ISIN code IE000WZ90ZV5. Approved by shareholders and Board of Directors on December 10, 2024. This reverse split consolidated every 28.5 shares into one new ordinary share and was aimed at meeting Nasdaq's minimum bid price requirement of \$1.00 per share, reducing the number of outstanding shares from approximately 33,155 thousand to approximately 1,163 thousand. Fractional shares resulting from the split were aggregated and sold at market prices. Additionally, the par value of the Ordinary Shares increased from \$0.165 to \$4.70250014886352. The Company's options, warrants, and convertible securities were adjusted proportionately, and the Public Limited Company Constitution was amended to reflect these changes. All share, options and warrants amount in these December 31, 2024, financial statements are presented post this reverse stock split. See note 22.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS:

The significant accounting policies followed in the preparation of the financial statements, on a consistent basis, are:

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention except for certain financial liabilities which are measured at fair value.

Principles of consolidation

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and until the date that control is lost.

Intercompany transactions between entities in the consolidated entity are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Investments in associated companies

Investments in associated companies are accounted under the equity method and are initially recognized at cost. The investment's cost includes transaction costs. The consolidated financial statements include the Group's share in net income or loss, in other comprehensive income or loss, and in the net assets of associated companies accounted by the equity method from the date when significant influence or joint control materialized, until the date on which the conditions for significant influence or joint control are no longer met.

Losses of an associate in amounts which exceed its equity are recognized by the Company to the extent of its investment in the associate plus any losses that the Company may incur as a result of a guarantee or other financial support provided in respect of the associate.

Reverse acquisition transaction

The result of the merger between the Company and Security Matters PTY Ltd. as described in Note 1.B is that legally the Company owns the entire share capital of Security Matters PTY Ltd.

Accordingly, for financial reporting purposes, Security Matters PTY Ltd. (the legal subsidiary) is the accounting acquirer, and the Company (the legal parent) is the accounting acquiree. The consolidated financial statements prepared following the reverse acquisition are issued under the name of the Company, but they are a continuation of the financial statements of Security Matters PTY Ltd. and reflect the fair values of the assets and liabilities of the Company (the acquiree for accounting purposes), together with a deemed issuance of shares by Security Matters PTY Ltd. at fair value based on the quoted opening share price of the Company in its first trading day following the closing of the business combination transaction (\$11,599), and a recapitalization of its equity. This deemed issuance of shares is in fact both an equity transaction under IAS 32 (receiving the net assets of the Company) and an equity-settled share-based payment transaction under IFRS 2 (receiving the listing status of the Company). The difference, in the amount of \$16,802, between the fair value of the shares deemed to have been issued by Security Matters PTY Ltd. and the fair value of the Company's identifiable net assets represent a payment for the service of obtaining a stock exchange listing for its shares and it is therefore expensed immediately to profit or loss at the closing date.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT.):

The Company is initially consolidated in the financial statements from the closing date of the Business Combination. Substantially all of the assets and liabilities of the Company were comprised of marketable securities held in a trust account (\$4,921) and trade and other payables and warrants (\$10,127) respectively, with fair values that were equivalent to their carrying amounts. Below are the implications of the accounting treatment on the financial statements:

1. The assets and liabilities of Security Matters PTY Ltd. have been recognized and measured in these consolidated financial statements at their pre-combination carrying amounts.
2. The retained earnings and other equity balances recognized in those consolidated financial statements are the retained earnings and other equity balances of Security Matters PTY Ltd. immediately before the Business Combination.
3. The amount recognized as issued equity instruments in these consolidated financial statements has been determined by adding to the issued equity of Security Matters PTY Ltd. immediately before the Business Combination the fair value of the deemed issuance of shares, as described above. However, the equity structure (the number and type of shares issued) reflects the equity structure of the Company, including the shares issued by the Company through recapitalization. Accordingly, the equity structure of Security Matters PTY Ltd. (issued capital and addition paid in capital) in comparative periods is restated using the exchange ratio established in the Business Combination to reflect the number and par value of shares of the Company issued in the reverse acquisition transaction.
4. The statement of comprehensive loss reflects that of Security Matters PTY Ltd. for the full period together with the post-acquisition results of the Company from the Closing Date. Loss per share of Security Matters PTY Ltd. for periods prior to the acquisition date is restated such the denominator of the historical loss per share calculation is adjusted by multiplying the weighted-average shares used in each historically reported loss per share calculation by the exchange ratio established in the Business Combination.

Foreign currency

The consolidated financial statements are prepared in US Dollars, which is the functional and presentation currency of the Company. The Company's functional currency is US Dollar. The functional currency of Lionheart III Corp is US Dollar. The functional currency of SMX Fashion and Luxury is EURO. The functional currency of True Silver SMX Platform is Canadian Dollars. The functional currency of SMX (Security Matters) Ireland Limited is US Dollar. The functional currency of SMX Circular Economy Platform PTE, Ltd. is Singapore Dollar. Security Matters Pty Ltd.'s functional currency is Australian Dollars. The functional currency of Security Matters Ltd. (Israel) is New Israeli Shekels. The functional currency of Security Matters Canada Ltd. is Canadian Dollars. The functional currency of SMX Beverages Pty Ltd. is Australian Dollar. The functional currency of True Gold is Australian Dollar.

Transactions and balances in foreign currencies are converted into US Dollars in accordance with the principles set forth by International Accounting Standard (IAS) 21 ("The Effects of Changes in Foreign Exchange Rates"). Accordingly, transactions and balances have been converted as follows:

- Assets and liabilities – at the rate of exchange applicable at the reporting date.
- Expense items – at annual average rate at the statements of financial position date.
- Share capital, capital reserve and other capital movement items were at the rate of exchange as of the date of recognition of those items.
- The accumulated deficit was based on the opening balance for the beginning of the reporting period in addition to the movements mentioned above.
- Exchange gains and losses from the aforementioned conversion are recognized in the statement of other comprehensive losses in the Foreign Currency Translation Reserve.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT.):

Issue of a unit of financial instruments

The issue of a unit of financial instruments such as a financial liability (e.g., a loan) and free-standing derivative (e.g. warrants) involves the allocation of the proceeds received (before issuance costs) to financial derivatives and other financial instruments measured at fair value in each period and to financial liabilities that are measured at amortized cost, with residual allocated to equity instruments. Issuance costs are allocated to each component pro rata to the amounts determined for each component in the unit.

Governmental grants

Government grants received for the use of research and development activities, for which the Group undertook to pay royalties to the state, contingent on future sales arising from this financing, were treated as forgivable loans. The grant was recognized as a liability in the financial statements, except when there is reasonable assurance that the Group will comply with the conditions for the forgiveness of the loan, then it would be recognized as a government grant. When the loan bears a below-market rate of interest, the liability is recognized at its fair value in accordance with the market interest rate prevailing at the time of receiving the grant. The difference between the consideration received and the liability recognized at inception was treated as a government grant and recognized as a reimbursement of research expenses. The repayment of the liability to the state is reviewed every reporting period, with changes in the liability resulting from a change in the expected royalties recognized in profit or loss.

Fair value measurement

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability; or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification of financial instruments by fair value hierarchy

The financial instruments presented in the statements of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

Level 1	- Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	- Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
Level 3	- Inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Other receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services, but also incorporate other types of contractual monetary asset. These assets are carried at amortized cost less any provision for impairment.

The Group has no financial assets classified at fair value through profit or loss.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT.):

Financial liabilities

financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of financial liability.

After initial recognition, the Group measures all financial liabilities at amortized cost using the effective interest rate method, which ensures that any interest expense over the period is at a constant interest rate on the balance of the liability carried in the statement of financial position, except for financial liabilities which are measured at fair value through profit or loss.

measured at fair value through profit or loss:

These financial liabilities comprise of derivatives that are options which are to be settled in equity instruments but nevertheless do not meet the definitions of equity instruments. The Group measures those financial liabilities at fair value. Transaction costs are recognized in profit or loss. After initial recognition, changes in fair value are recognized in profit or loss.

Impairment of non-financial assets

Intangible assets and goodwill that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Property, plant and equipment

Items of property, plant and equipment are initially recognized at cost. Cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. Depreciation is computed by the straight-line method, based on the estimated useful lives of the assets, as follows:

	%
Computers	33
Machines and equipment	20
Furniture and office equipment	10
Leasehold improvements	8

Leasehold improvements are depreciated over the term of the expected lease including optional extension, or the estimated useful lives of the improvements, whichever is shorter.

Reimbursement of research and development expenses

Reimbursements in proof of concept (POC) agreements of expenditures on research and development in order to achieve commercial agreement once this activity is successful, are offset in profit or loss against the related expenses (research and development expenses). Any IP generated from this activity remains at the ownership of the Group.

Right-of-use assets

All leases are accounted for by recognizing a right-of-use asset and a lease liability, excluding leases where the lease term is 12 months or less, or where the underlying asset is of low-value. These leases expenditures are recognized on a straight-line basis over the lease term. A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT.):

Lease liabilities

All leases are accounted for by recognizing a right-of-use asset and a lease liability. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee.
- the exercise price of any purchase option granted in favor of the Group if it is reasonably certain to exercise that option.
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease the remeasurement being recognized in front of the right of use assets.

Capitalized technology development costs

Expenditures on research activities are recognized in profit or loss as incurred. Expenditures on internally developed products are mainly employee salaries and legal fees for filing of patents and are capitalized when the Group demonstrates all the following criteria:

- a. The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- b. The intention to complete the intangible asset and use or sell it.
- c. The ability to use or sell the intangible asset.
- d. The probability of the intangible asset to generate future economic benefits. Among other things, the Group considers the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- e. The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- f. The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The recognition criteria above are considered by the Group at each stage of development to determine when the criteria have been initially met in full.

The technical feasibility criteria is determined to be met when a the milestone of initial marking and reading capabilities is satisfied. The milestone's identification occurs only following a detailed broad mapping of the raw material characteristics and establishing the formula for the chemical marker architecture to be embedded into the raw material based on industry standards and regulations. The result is the initial evidence that the x-ray algorithm of the designated reader is in a stage that can identify the marker and convey information. At this stage, the Group believes that the technical feasibility of completing the development for use is probable.

The Group notes that technical feasibility has been established and the achieved technology is ready for the next stage which consists of performing a proof-of-concept pilot with an industry partner, in order to adapt the technology for the relevant industry and adjust the development to meet the industry's needs.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT.):

Capitalized technology development costs (Cont.)

Currently, the Group's capitalized development activities focus on:

1. Development of marker architecture to be embedded topically or in-situ (application) for each material/product within the optimal industrial manufacturing phase, based on industry standards and regulations.
2. Semi Industrial scale – technology implementation in semi-industrial production.
3. Development of a digital platform to support the end-to-end traceability from raw material to final product to recycling.

The Group's management has the full intention to complete the development of the technology and ultimately to sell it. This intention is demonstrated by initiating partnerships with industry market leaders and continuing the development into the next phase. The Group's intention is also reflected in the Group's approved budget.

The Group's management intends to concentrate its future sales and marketing efforts in the U.S. and Asia Pacific markets, including, but not limited to, recruitment of sales and marketing personnel. It plans to advance successful proof-of-concept pilots performed with industry leading partners, and further advance its innovative technology and commercialization efforts and collaborations in the segments relevant to its technology.

The Group's business model targets leading brands and manufacturers in order to create a new market standard for circular economy solutions, brand authentication and supply chain integrity. The Group's technology is applicable for multiple industries such as gold, fashion, electronics and circular economy – plastic and rubber. The Group is able to provide an adaptive solution for multiple market segments, based on a unified technology solution, through collaborative relationships with leading market companies which provide it with access to various potential entities to sell its solution. This is part of the Group's strategy to create strategic partnerships with market leaders across its main segments of activity. The Group believes that this close collaboration with market leaders, and developing a product that meets their requests, suggest that there is a strong potential market for its development.

Adequate technical and financial resources are available to complete the development; the development will be completed by the Group's technology team which consists of professional experienced scientists and engineers, with a track record in the industrial sector and with financial resources successfully raised through the issuance of ordinary shares and loans. The Group has already accomplished its core technology development and is currently focused on development of specific adjustments for different market segments. This stage is focused and short-termed, therefore, management believes that limited financial resources are required for completing the development and that there is high probability for commencing commercial agreements following the successful proof-of-concept pilots.

The Group has financial systems in place that allow it to maintain records in sufficient detail that enable it to measure reliably the expenditures attributable to the intangible asset during its development.

Development expenditures not satisfying all the above criteria are recognized in the consolidated statement of comprehensive income as incurred.

Subsequent measurement

In subsequent periods, capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses.

An asset is ready for its intended use, when the developed technology becomes operational and the Group completes an initial customization.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT.):

Capitalized technology development costs (Cont.)

Intangible assets with a finite useful life are amortized over their estimated useful lives and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for intangible assets are reviewed at least at each year end.

The carrying amount of these assets is reviewed whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset. An expenditure incurred in development activities, including the Group's software development is capitalized only where it clearly increases the economic benefits to be derived from the asset to which it relates, the expenditure will lead to new or substantially improved products, the products are technically and commercially feasible and the Group has sufficient resources to complete the development and reach the stage for which the product is ready for use.

All other expenditure, including those incurred in order to maintain an intangible assets current level of performance, is expensed as incurred.

Share-based compensation

The Group measures the share-based expense and the cost of equity-settled transactions with employees and service providers by reference to the fair value of the equity instruments at the date at which they are granted. The Group selected the Black-Scholes model as the Group's option pricing model to estimate the fair value of the Group's options awards. The model is based on share price, grant date and on assumptions regarding expected volatility, expected life of the options, expected dividend, and a no risk interest rate. As for granted options which are settled in equity instruments, the fair value of the options at the grant date is charged to the statement of comprehensive loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

New standards, interpretations and amendments adopted from January 1, 2024

The following amendments are effective for the period beginning January 1, 2024:

- Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and
- Non-current Liabilities with Covenants (Amendments to IAS 1).

These amendments to various IFRS Accounting Standards are mandatorily effective for reporting periods beginning on or after January 1, 2024.

Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7)

On May 25, 2023, the IASB issued Supplier Finance Arrangements, which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. The amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The amendments also provide guidance on characteristics of supplier finance arrangements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT.):

Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants

(Amendments

The IASB issued amendments to IAS 1 in January 2020 Classification of Liabilities as Current or Non-current and subsequently, in October 2022 Non-current Liabilities with Covenants.

The amendments clarify the following:

- An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period.
- If an entity's right to defer settlement of a liability is subject to covenants, such covenants affect whether that right exists at the end of the reporting period only if the entity is required to comply with the covenant on or before the end of the reporting period.
- The classification of a liability as current or non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement.
- In case of a liability that can be settled, at the option of the counterparty, by the transfer of the entity's own equity instruments, such settlement terms do not affect the classification of the liability as current or non-current only if the option is classified as an equity instrument.

These amendments have no effect on the measurement of any items in the consolidated financial statements of the Group.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning January 1, 2025:

- Lack of Exchangeability (Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The following amendments are effective for the period beginning January 1, 2026:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial instruments and IFRS 7)

The following standards and amendments are effective for the annual reporting period beginning January 1, 2027:

- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.

The Group is currently assessing the effect of these new accounting standards and amendments.

IFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorization and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

The Group does not expect to be eligible to apply for IFRS 19.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT.):

The significant accounting judgments, estimates and assumptions followed in the preparation of the financial statements, on a consistent basis, are:

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities and expenses. Changes in accounting estimates are reported in the period of the change in estimate. The key assumptions made in the financial statements are discussed below.

Share based compensation

The Group has a share-based remuneration scheme for employees. The fair value of share options is estimated by using the Black-Scholes model, which was derived to model the value of the firm's equity over time. The simulation model was designed to take into account the unique terms and conditions of the performance shares and share options, as well as the capital structure of the firm and the volatility of its assets, on the date of grant based on certain assumptions. Those conditions are described in the share-based compensation note and include, among others, the dividend growth rate, expected share price volatility and expected life of the options. The fair value of the equity settled options granted is charged to the statement of profit or loss over the vesting period of each tranche and the credit is taken to equity, based on the consolidated entity's estimate of shares that will eventually vest.

Intangible assets

The Group capitalizes costs for its developed projects when specific criteria are met. Initial capitalization of costs is based on management's judgement that technological and economic feasibility is achievable, usually when a product development project has reached a defined milestone according to an established project management model. The management makes assumptions regarding the expected future economic benefit to be derived from the intangible asset and therefore whether the capitalized costs are expected to be recovered.

This amount of capitalized costs includes significant investment in the development of marking and reading capabilities in the subject material. Prior to being marketed, the Group will obtain a proof-of-concept pilot with an industry leading partner. The innovative nature of the product gives rise to some judgement as to whether the proof-of-concept will be successful such that it will lead to obtaining commercial contracts with customers. See also note 7.

Management bases its estimates on historical experience, assumptions, and information currently available and deemed to be reasonable at the time the consolidated financial statements are prepared. However, actual amounts may differ from the estimated amounts as more detailed information becomes available. Estimates and assumptions are reviewed on an ongoing basis and, if necessary, changes are recognized in the period in which the estimate is revised.

Impairment of goodwill and intangible assets

The Group reviews goodwill for impairment at least once a year or more frequently if events or changes in circumstances indicate that there is impairment. Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit to which the goodwill has been allocated. This requires management to make an estimate of the projected future cash flows from the continuing use of the cash-generating unit to which the goodwill is allocated and also to choose a suitable discount rate for those cash flows. See more information in note 7.

The carrying values of the long-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. If any indication exists, then the asset's recoverable amount is estimated. Determining the recoverable amount is subjective and requires management to estimate project future cash flows, among other factors. Future events and changing market conditions may impact on the assumptions as to prices, costs or other factors that may result in changes to the estimates of future cash flows. If the Group concludes that a definite or indefinite long-lived intangible asset is impaired, the Group recognize a loss in an amount equal to the excess of the carrying value of the asset over its fair value at the date of impairment. The fair value at the date of the impairment becomes the new cost basis and will result in a lower depreciation expense than for periods before the asset's impairment.

Financial liabilities at fair value

The fair value of financial liabilities at fair value was estimated by using a Black Scholes model and Monte-Carlo simulation approach, which was aimed to model the value of the Group's assets over time. The simulation approach was designed to take into account the terms and conditions of the financial liabilities, which are described in notes 8, 9 and 11, as well as the capital structure of the Group and the volatility of its assets. The valuation was performed based on management's assumptions and projections.

NOTE 3 – TRUE GOLD BUSINESS COMBINATION:

On July 29, 2020, the Group (through Security Matters Limited) signed a shareholders' agreement with W.A. Mint Pty Ltd. and TrueGold. The purpose of the agreement is to set the framework for TrueGold's activity. TrueGold's goal is to establish an industry standard with the development of an innovative system that can invisibly mark (at a molecular level), track and trace gold bars and gold through every stage of the supply chain with blockchain technology, using the Company's advanced next-generation technology. Under the terms of the agreement, TrueGold will be equally held by the above two-mentioned entities, with the goal of adding other shareholders. Management has assessed the transaction and reached the conclusion that the new entity is jointly controlled by Security Matters Limited, and W.A. Mint Pty Ltd. The Company's management has further determined that the contractual arrangement provides the parties to the joint arrangement with rights to the net assets of the arrangement.

The contractual arrangement establishes each party's share in the profit or loss relating to the activities of the arrangement. The arrangement is a joint venture and the Company's interests in this joint venture is accounted for using the equity method of accounting.

On October 3, 2023 (acquisition date), the Company (through its wholly owned subsidiary - Security Matters Limited) signed an agreement with TrueGold shareholders to acquire an additional 7.5% which increased the Company's holdings to 51.9% in TrueGold and resulted in the Company gaining control over TrueGold. This strategic transaction to gain control of TrueGold diversifies the Company's operations into TrueGold's pioneering ventures in research and development and future revenue commercialization. In July 19, 2024, the Company's ownership percentage (through its wholly owned subsidiary - Security Matters Limited) in TrueGold increased from 51.9% to 52.9% as part of the PMB transaction described below in note 17(19), to exchange its shares in TrueGold for 1,022 Company shares.

The Company previously held 44.4% of the shares of TrueGold which, up to the acquisition date and the beginning of consolidation, were treated as an investment in a joint venture which accounted for under the equity method. At the time the transaction was completed and control was obtained, the balance of the investment was remeasured at fair value of \$22,164 and a gain was recognized in the amount of \$22,164, which was recorded in the statement of comprehensive loss (the carrying amount of the previous investment in TrueGold was approximately nil). This fair value amount was added to the consideration transferred for the calculation of goodwill, as described below.

The Company has elected to measure the non-controlling interests in TrueGold at full fair value which includes also the non-controlling interests' share in the entire goodwill of TrueGold. The fair value of the non-controlling interests in TrueGold was based on the fair value of TrueGold as a whole, as described above, and was estimated using the discounted cash flow method of the income approach, as TrueGold is a private company and therefore quoted market prices of its share were unavailable. The fair value has been determined by management with the assistance of a valuation performed by an external and independent valuation specialist using valuation techniques and assumptions as to estimates of projected net future cash flows of TrueGold and estimate of the suitable discount rate for these cash flows. The significant assumptions used in estimating the fair value of TrueGold are:

1. After-tax net cash flow discount rate (weighted average cost of capital) of 24.8%.
2. Terminal value cash flow multiple of 4.59 and terminal growth rate of 3%.
3. Discount for lack of marketability of 25.2% (or \$11.17), resulting in a fair value of \$33.12 per ordinary share of True Gold).

The total cost of the business combination comprised a full forgiveness of the outstanding payables from TrueGold to Security Matters Limited which amounted to AUD 475 thousand (approximately \$307) at acquisition date. The calculation of the goodwill upon acquisition included also the fair value of the previous investment in TrueGold.

NOTE 3 – TRUE GOLD BUSINESS COMBINATION (CONT.):

The fair value of the identifiable assets and liabilities of TrueGold on the acquisition date:

	US\$ in thousands
Cash and cash equivalents	13
Other current receivables	155
Intangible asset (core technology license)	10,449
Trade payables	277
Net identifiable assets	10,340
Non-controlling interests	(20,826)
Goodwill	32,957
Loan to TrueGold	307
Fair value of previous investment	22,164
	22,471

The only intangible asset identified in the purchase price allocation, and recognized as shown in the table above, represents a core technology license that reflects the existence of underlying technology that has value through its continued use or re-use in many products or many generations of a singular product (that is, a product family). As mentioned above, this core technology license represents the current right of TrueGold to use the Group's intellectual property of technology under a license agreement signed in 2020. For the purpose of the purchase price allocation, this right was treated as a reacquired right and accordingly was recognized separately from goodwill and valued on the basis of the remaining contractual term of the related contract, regardless of whether market participants would consider potential contractual renewals. After acquisition, this intangible asset should be amortized in according to its economic useful life. See also note 7.

The goodwill arising from this acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Group and TrueGold. The goodwill recognized is not expected to be deductible for income tax purposes.

NOTE 4 - OTHER CURRENT RECEIVABLES:

	December 31, 2024	December 31, 2023
Receivable in respect of exercise of warrants	1,510	-
Tax authorities	305	257
Prepaid expenses	102	142
Proof of concept receivables	46	148
Other	30	87
Total	1,993	634

SMX (SECURITY MATTERS) PUBLIC LIMITED COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US\$ in thousands)



NOTE 5 - PROPERTY, PLANT AND EQUIPMENT, NET:

	<u>Leasehold improvements</u>	<u>Machines and Equipment</u>	<u>Furniture and Office Equipment</u>	<u>Computers</u>	<u>Total</u>
Cost					
At January 1, 2024	75	1,146	69	102	1,392
Additions	-	21	-	-	21
Currency translation adjustments	1	(5)	1	-	(3)
At December 31, 2024	76	1,162	70	102	1,410
Accumulated depreciation					
At January 1, 2024	24	832	37	88	981
Depreciation	9	135	9	10	163
Currency translation adjustments	-	(2)	-	-	(2)
At December 31, 2024	33	965	46	98	1,142
Net book value at December 31, 2024	43	197	24	4	268
	<u>Leasehold improvements</u>	<u>Machines and Equipment</u>	<u>Furniture and Office Equipment</u>	<u>Computers</u>	<u>Total</u>
Cost					
At January 1, 2023	63	1,147	65	102	1,377
Additions	15	5	7	4	31
Currency translation adjustments	(3)	(6)	(3)	(4)	(16)
At December 31, 2023	75	1,146	69	102	1,392
Accumulated depreciation					
At January 1, 2023	18	699	31	74	822
Depreciation	6	151	7	16	180
Currency translation adjustments	-	(18)	(1)	(2)	(21)
At December 31, 2023	24	832	37	88	981
Net book value at December 31, 2023	51	314	32	14	411

NOTE 6 - INVESTMENTS IN ASSOCIATED COMPANY:

Entity	Country of Incorporation	Percentage Owned December 31, 2024	Percentage Owned December 31, 2023
Yahaloma Technologies Inc.	Canada	50%	50%

The proportion of ownership interest is equal to the proportion of voting power held.

Yahaloma Technologies Inc.

On April 30, 2019, Security Matters Ltd. signed an agreement with Trifecta Industries Inc. ("Trifecta") for the commercialization of Security Matters Ltd.'s trace technology in the diamonds and precious stone industry.

Under the terms of the agreement, Security Matters Ltd. and Trifecta established a new entity – Yahaloma Technologies Inc. ("Yahaloma"), which is equally held by Security Matters Limited and Trifecta.

Yahaloma has the exclusive rights and responsibility to commercialize the Group's intellectual property in the area of diamonds or precious stone. Management has assessed the transaction and reached the conclusion that the new entity is jointly controlled by Security Matters Limited and Trifecta. Management has further determined that the contractual arrangement provides the parties to the joint arrangement with rights to the net assets of the arrangement. The contractual arrangement establishes each party's share in the profit or loss relating to the activities of the arrangement. The arrangement is a joint venture and the Company's interests in this joint venture is accounted for using the equity method of accounting.

NOTE 7 - INTANGIBLE ASSETS, NET AND GOODWILL:

	Capitalization of development costs	Purchased license	Core Technology License	Total
COST				
As of January 1, 2024	5,342	819	10,449	16,610
Capitalized development cost	169	-	-	169
Currency translation adjustments	(245)	(37)	-	(282)
As of December 31, 2024	5,266	782	10,449	16,497
Accumulated amortization				
As of January 1, 2024	124	-	-	124
Amortization	694	75	1,306	2,075
Impairment	2,197	-	-	2,197
Currency translation adjustments	(227)	-	-	(227)
As of December 31, 2024	2,788	75	1,306	4,169
Net book value as of December 31, 2024	2,478	707	9,143	12,328

NOTE 7 - INTANGIBLE ASSETS, NET AND GOODWILL (CONT.):

	Capitalization of development cost	Purchased license	Core Technology License	Total
COST				
As of January 1, 2023	4,372	655	-	5,027
Capitalized development cost	977	157	10,449	11,583
Currency translation adjustments	(7)	7	-	-
As of December 31, 2023	5,342	819	10,449	16,610
Accumulated amortization				
As of January 1, 2023	127	-	-	127
Currency translation adjustments	(3)	-	-	(3)
As of December 31, 2023	124	-	-	124
Net book value as of December 31, 2023	5,218	819	10,449	16,486

Intangible assets as of December 31, 2024 and 2023 consist of capitalized development costs of the Group's technology, the cost of the exclusive license intellectual property and core technology license raised from the TrueGold business combination that reflects the existence of underlying technology that has value through its continued use or re-use in many products or many generations of a singular product (that is, a product family). See also note 3. The capitalized development costs and purchased license are amortized in accordance with its useful life of 5.5 years. The Core Technology License is amortized in accordance with its useful life of 4 years.

Goodwill and impairment

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires an estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

During the year, the Group did not meet its revenue forecast. This had an adverse impact on the projected value in use of the operation and consequently resulted in an impairment to goodwill of \$6,813. The (pre-tax) discount rate used to measure the CGU's value in use was 29.6%.

The carrying amount of goodwill is \$26,144 as of December 31, 2024.

The recoverable amount has been determined from value in use calculations based on cash flow projections from Company approved budgets.

NOTE 8 - CONVERTIBLE NOTES:

A. On January 25, 2023, the Company received an amount of \$250 in consideration for issuance of a convertible note (the “LP Convertible Note”) and two types of warrants, to Lee Pinkerton (“LP”). The LP Convertible Note’s principal amount is \$250 and the maturity date is the earlier of December 31, 2024, and the date of any change in control (excluding the Business Combination). The Convertible Note has an interest rate of 15% per annum and shall be converted into ordinary shares at LP’s discretion, at a fixed conversion price of \$470,250 per ordinary share. In addition, the Company has the right to satisfy the payment of the principal amount of the LP Convertible Note through the issuance of the Company’s ordinary shares at a 20% discount to the 20 trading day VWAP preceding the maturity date.

As part of the LP Convertible Note transaction, the LP was granted two types of warrants:

- (i) Bonus Warrants – 0.27 warrants to purchase ordinary shares of the Company at an exercise price of \$541 per share. The Bonus Warrants term is five years commencing upon the Business Combination.
- (ii) Redeemable Warrants – 0.26 warrants to purchase ordinary shares of the Company at a purchase price of \$541 per share. The Redeemable Warrants term is five years commencing upon the Business Combination. 50% of the Redeemable Warrants shall be redeemable on a non-cumulative basis at the option of the holder, according to a schedule for \$235.125 per warrant. The LP has the option to decide that the Company will satisfy any or each redemption through the issuance of ordinary shares of the Company based upon a 20% discount to the 20-trading day VWAP preceding each such anniversary.

The LP Convertible Note is recorded in accordance with its fair value. The Redeemable Warrants are accounted as a derivative financial liability measured at fair value through profit or loss. Management utilized a third-party appraiser to assist them in valuing the LP Convertible Note and Redeemable Warrants.

The fair value of the Redeemable Warrants was calculated using the Monte-Carlo simulation model. As of December 31, 2024 and 2023, the expected volatility that was used was 53.94% and 73.74%, respectively, and the risk-free interest rate used was 4.27% and 3.91%, respectively.

As of December 31, 2024, and 2023 the fair value of the Redeemable Warrants was \$55 and \$73, respectively.

In order to calculate the fair value of the LP Convertible Note, the Company discounted the payment schedule by a discount rate of 22.9% as of December 31, 2024, and a discount rate of 32.2% as of December 31, 2023.

As of December 31, 2024, and 2023 the fair value of the LP Convertible Note was \$336 and \$304, respectively. All of the principal and accrued interest under the LP Convertible Note is due and owing as of the date of the authorization of these financial statements.

B. In May 2022, Security Matters PTY Ltd. issued 828,240 convertible notes (the “2022 Convertible Notes”), with a face value of AUD 1.00 (\$0.7) per each 2022 Convertible Note, for an aggregate amount of AUD 828 thousand (\$569). The original terms of the 2022 Convertible Notes were amended on July 2022, when Security Matters PTY Ltd. entered into the BCA that was subject to de-listing of Security Matters PTY Ltd. from the Australian Stock Exchange. The issuance price per share was calculated at a 20% discount to the 5-21 day volume weighted average price to December 31, 2022, as such term is defined in the Convertible Notes agreement, subject to a cap of no lower than AUD 0.15 (\$0.11) per share, and on December 31, 2022 the investors will also be issued unlisted two year options on a 1:2 basis with an exercise price of AUD 0.45 (\$0.32) per share. As of December 31, 2022, the 2022 Convertible Note amounted to \$563. In July 2022, an amendment to the 2022 Convertible Notes agreements was signed between Security Matters PTY Ltd. and the investors which prescribes a cancellation of the 2022 Convertible Notes and replaced them with the issuance of 1,000,000 ordinary shares of Security Matters PTY Ltd. (with the occurrence of the Business Combination as described in Note 1.B). On March 7, 2023, the 2022 Convertible Notes were converted to 1,000,000 ordinary shares of Security Matters PTY Ltd.

NOTE 8 - CONVERTIBLE NOTES (CONT.):

C. On September 6, 2023, the Company entered into a Securities Purchase Agreement to issued and sold to an institutional investor, Generating Alpha Ltd. ("Alpha"), a convertible promissory note (the "Alpha September 2023 Note") with a fixed conversion price of \$3,501, 1,838 warrants A's and 1,225 warrants B's, for gross proceeds of approximately \$2,574, before deducting fees and other offering expenses payable by the Company to their service providers. The warrant A's were exercisable into 1,838 ordinary shares at an exercise price of \$4.7025 per share subject to customary adjustments and may be exercised at any time until the five year anniversary. The warrant B's were exercisable into 1,225 ordinary shares at an exercise price of \$3,501 per share, subject to customary adjustments and may be exercised at any time until the five-year anniversary. The warrant A's and the warrant B's meet the fixed-for-fixed criterion of IAS 32, resulting in being classified as equity. The Alpha September 2023 Note is in the principal amount of \$4,290. The actual amount loaned by the investor is \$2,574 after a 40% original issue discount. The maturity date of the Alpha September 2023 Note is the 12-month anniversary of the Effective Date, and is the date upon which the principal amount, as well as any accrued and unpaid interest and other fees, shall be due and payable. Interest accrues in the amount of 12% per year and shall be payable on the maturity date or upon acceleration or by prepayment or otherwise. The investor has the right, at any time, to convert all or any portion of the then outstanding and unpaid principal amount and interest (including any costs, fees and charges) into the Company's ordinary shares, at a fixed conversion price of \$3,501 per share. Any such conversion is subject to customary conversion limitations set forth in the Purchase Agreement, so the investor beneficially owns less than 4.99% of the Company's ordinary shares. Additionally, the Company has the right to convert in whole or in part the Alpha September 2023 Note into ordinary shares; provided that in no case shall the Company so convert the Alpha September 2023 Note if the result of the issuance of Ordinary Shares thereby would result in the beneficial ownership of the investor of ordinary shares in excess of 4.99%

The Alpha September 2023 Note was recognized in accordance with the amortized cost method.

As of December 31, 2024, the investor converted all of the principal amount of the Alpha September 2023 Note into an aggregate of 1,225 Ordinary Shares and exercised all warrant A's and B's into Ordinary Shares of the Company.

As of December 31, 2023, the Alpha September 2023 Note's principal amounted to \$1,000.

D. On February 24, 2024, the Company issued to Steven Wallitt ("SW") a convertible security with a face value of \$407 in consideration of \$350, bearing 0% interest and maturing in 6 months. SW ranks senior but is subordinated to ClearThink Asset Management ("CTAM"), the Company advisors, in case of any new debt issuance, including subordinated debt or redeemable preferred stock, except for instruments already negotiated with CTAM. In such cases, the Company is obligated to direct at least 15% of the net proceeds from any new debt to repay the convertible security, unless SW waives this requirement. SW can convert all or part of the face value of the convertible security into ordinary shares at a conversion price of \$513 per share, with no conversion limitations. Additionally, the Company issued SW 100,000 warrants, exercisable for 60 months at an exercise price of \$0.05 per share, without price-based anti-dilution adjustments.

On August 24, 2024, the Company extended the previous convertible security maturity date to February 24, 2025. In addition, SW will have the right to convert at his option all or a portion of the face value amount including OID or a maximum of \$407 into ordinary shares at a conversion price under exactly the same terms of a new qualified financing for at least \$1.5 million from any source.

Accordingly, following a private placement transaction on October 28, 2024, the Company adjusted the conversion price to \$0.49.

On September 16, 2024, the SW converted \$23 of the convertible security into 793 ordinary shares.

The convertible security is accounted in accordance with the amortized cost model, and amounted to \$337 as of December 31, 2024.

The conversion option was accounted as a derivative financial liability and measured at fair value through profit or loss.

As of December 31, 2024, the fair value of the conversion option was estimated at \$129 by using Monte Carlo model with volatility of 39.78% and a risk-free interest rate of 4.37%.

As of the date of these financial statements the principal and accrued interest payments according to the SW convertible security agreement are due and owing.

NOTE 8 - CONVERTIBLE NOTES (CONT.):

E. On April 11, 2024, the Company entered into Securities Purchase Agreements for the issuance of promissory note and warrants to Alpha, as follows:

1. Unsecured note (the “Alpha April Note”) in the principal amount of \$2,250. The Alpha April Note carries an original issue discount (OID) of 10%, bears 12% interest per year, and its maturity date is in 12 months from issue date. Alpha has the right to convert the outstanding principal and interest into Ordinary Shares at \$513 per share, with certain adjustments. If the Company is no longer restricted from variable rate transactions, the investor may convert at a 15% discount based on the lowest weighted average price during the 15 trading days before conversion. Any such conversion is subject to customary conversion limitations set forth in the Alpha April Note so the investor beneficially owns less than 4.99% of the Company’s Ordinary Shares. Additionally, the Company has the right to convert in whole or in part the Alpha April Note into Ordinary Shares; provided that in no case shall the Company so convert the Alpha April Note if the result of the issuance of Ordinary Shares thereby would result in the beneficial ownership of the investor of Ordinary Shares in excess of 4.99%. A daily fee of \$2 is applied if the Company fails to deliver shares upon conversion. If an event of default occurs, the Alpha April Note’s outstanding principal and interest increase by 120%, or 500% in specific default situations, with default interest at the lesser of 24.5% or the maximum legal rate. The Alpha April Note also includes restrictions against variable security transactions.
2. A 5.5 year warrant to purchase 5,532 Ordinary Shares at \$336 per share, with anti-dilution protections. (“the April Warrants”). There is a 4.99% ownership limit on the exercise of this warrant, and the Company must pay a “Buy-In” amount if shares are not delivered timely. Alpha may elect to choose cashless exercise mechanism.
3. Inducement offer which amends the Company’s existing warrants B’s held by Alpha issued in September 2023 (see note 8.C) to a reduced exercise price of \$4.7025 per share. Alpha immediately exercised these warrants B’s in full.
4. The Alpha April Note is a financial liability which is measured in accordance with the amortized cost method and its conversion option is a derivative financial liability measured at fair value through profit or loss.

As of April 11, 2024, the Alpha April Note amounted to \$220 and the Conversion Option fair value amounted to \$656.

As of April 11, 2024 the fair value of the conversion option was calculated by estimating the Alpha April Note using Monte Carlo model with expected volatility of 52.08% and the risk-free interest rate used is 5.17%.

During the period, the investor converted approximately \$2,110 of the principal amount into 467,424 ordinary shares. (see also note 17(13)).

As of December 31, 2024, the Alpha April Note amounted to \$72 and the Conversion Option fair value amounted to \$48. As of December 31, 2024, the fair value of the Conversion Option was calculated by estimating the Alpha April Note using Monte Carlo model with expected volatility of 39.78% and the risk-free interest rate used is 4.37%.

The April Warrants were classified as a derivative financial liability measured at fair value through profit or loss. After initial recognition, at each cut off, the April Warrants will be measured in accordance with their fair value and all changes in fair value will be recognized through profit or loss. As of April 11, 2024, the April Warrants’ fair value amounted to \$1,090.

As of April 11, 2024, the fair value of the April Warrants was calculated using the Black-Scholes model with expected volatility of 73.43% and the risk-free interest rate used is 4.61%.

As of December 31, 2024, Alpha exercised all the April Warrants into Ordinary Shares of the Company.

NOTE 8 - CONVERTIBLE NOTES (CONT.):

F. On July 10, 2024, the Company entered into a Letter of Intent with PMB Partners, LP (“PMB”), as part of the Company’s ongoing efforts to satisfy its existing liabilities while conserving cash. Although the Letter of Intent was binding, the Letter of Intent provided that the Company and PMB negotiate in good faith the drafting and execution of the exchange of a \$1,000 senior secured note (originally due May 31, 2024) for a \$800 Convertible Note due December 31, 2024 (“the \$800 Convertible Note”), and a \$500 non-convertible promissory note due December 31, 2024 (“the \$500 Non-Convertible Promissory Note” and, together with the \$800 Convertible Note, the “Senior Promissory Notes”) and other ancillary documents, contracts, or agreements to give effect to the terms of the Letter of Intent not otherwise satisfied at or as of the Effective Date (the “Definitive Agreements”). See note 1.D.

The Definitive Agreements, consisting of a Subscription Agreement, a Notes Exchange Agreement, a Share Exchange Agreement, the \$800 Convertible Note and the \$500 Non-Convertible Promissory Note, with terms consistent with the Letter of Intent, were all dated as of September 4, 2024. The Senior Promissory Notes carry an annual interest of 15%. PMB has the right to convert the \$800 Convertible Note and accumulated interest into 2,673 ordinary shares.

The \$800 Convertible Note is a financial liability which measured on the initial day at fair value recognized financial expenses or income through profit and loss. In the subsequent measurement the \$800 Convertible Note is with accordance with the amortized cost method.

The conversion option meet the conditions for equity classification according to IAS 32 and recorded as equity instrument.

The \$500 Non-Convertible Promissory Note is a liability which measured on the initial day at fair value recognized financial expenses or income through profit and loss. In the subsequent measurement, the \$500 Non-Convertible Promissory Note measured in accordance with the amortized cost method.

As of December 31, 2024, the \$800 Convertible Note and the \$500 Non-Convertible Promissory Note amounted to \$1,360. Pursuant to amendments to the Senior Promissory Notes, the maturity dates have been extended to November 30, 2025.

NOTE 8 - CONVERTIBLE NOTES (CONT.):

G. A. On July 19, 2024 the Company entered into Securities Purchase Agreement issued and sold to Alpha, a promissory note (the "Alpha July Note") and warrants (the "July Warrants"), for gross proceeds of \$747.5, before deducting fees and other offering expenses payable by the Company. The Alpha July Note is in the principal amount of \$1,150 (the "Principal Amount") and carries an original issue discount of 35%. The maturity date of the Alpha July Note is the 12-month anniversary of the issuance date. The Alpha has the right, at any time, to convert all or any portion of the outstanding and unpaid principal amount and interest (including any costs, fees and charges) into the Company's Ordinary Shares, at a conversion price equal to the lesser of \$174 or 80% of the lowest volume weighted average price of the Company's ordinary shares during the twenty trading days prior to the conversion, subject to customary adjustments as provided in the Alpha July Note including for fundamental transactions (the "Conversion option") Any such conversion is subject to customary conversion limitations set forth in the Alpha July Note so the Alpha beneficially owns less than 4.99% of the Company's Ordinary Shares. Any principal amount on the Alpha July Note which is not paid when due shall bear interest at the rate of the lesser of (i) 24.5% per annum and (ii) the maximum amount permitted by law during the Event of Default. Upon the occurrence of any Event of Default, the principal amount then outstanding plus accrued interest (including any costs, fees and charges) increases to 120% of such amount through the date of full repayment, as well as all costs of collection.

According to the purchase agreement, the Company issued to the Alpha the July Warrants, to purchase up to 7,317 Ordinary Shares, with an exercise price of \$178 per share, subject to customary adjustments and certain price-based anti-dilution protections, and may be exercised at any time for 5.5 years from issuance. The July Warrants also may be exercised pursuant to a cashless or net exercise provision. The exercise of the July Warrants is subject to a beneficial ownership limitation of 4.99% of the number of Ordinary Shares outstanding immediately after giving effect to such exercise.

The July Warrants were classified as a derivative financial liability measured at fair value through profit or loss. After initial recognition, at each cut-off, the July Warrants will be measured in accordance with its fair value and all changes in fair value will be recognized through profit or loss.

As of July 19, 2024, the July Warrants fair value amounted to \$741. The July Warrants were calculated using Black-Scholes model with expected volatility of 59.6% and the risk-free interest rate used is 4.16%.

As of December 31, 2024, all of the July Warrants were converted to 7,188 ordinary shares.

The Alpha July Note is a financial liability which will be measured in accordance with the amortized cost method and its conversion option is a derivative financial liability measured at fair value through profit or loss.

As of July 19, 2024, the Alpha July Note amounted to \$0 and the Conversion Option fair value amounted to \$753.

As of July 19, 2024, the fair value of the conversion option was calculated by estimating the Alpha July Note using Monte Carlo model with expected volatility of 61.67% and the risk-free interest rate used is 4.85%.

As of December 31, 2024, the Alpha July Note amounted to \$520, and the Conversion Option fair value amounted to \$527. As of December 31, 2024, the fair value of the Conversion Option was calculated by estimating the Alpha July Note using the Monte Carlo model with expected volatility of 58.7% and the risk-free interest rate used is 4.28%.

H. On August 30, 2024, the Company entered into a Securities Purchase Agreement with 1800 Diagonal Lending LLC ("1800 Diagonal"), to issue and sell a promissory note, for gross proceeds to the Company of \$194.5, before deducting fees and other offering expenses payable by the Company ("the 1800 Diagonal Promissory Note"). The 1800 Diagonal Promissory Note is in the principal amount of \$223.7, which includes an original issue discount of \$29.2. A one-time interest charge of 10%, or \$22.4 was applied to the principal. The maturity date of the 1800 Diagonal Promissory Note is June 30, 2025. The accrued, unpaid interest and outstanding principal, subject to adjustment, shall be paid in five payments as follows: (1) on February 28, 2025, \$123; (2) on March 30, 2025, \$30.7; (3) on April 30, 2025, \$30.7; (4) on May 30, 2025, \$30.7 and (5) on June 30, 2025, \$30.7. Through February 26, 2025, the Company may prepay the 1800 Diagonal Promissory Note in full at a 2% discount. The 1800 Diagonal Promissory Note contains customary Events of Default for transactions similar to the transactions contemplated by the Purchase Agreement and the Note. In the event of an Event of Default, (i) the 1800 Diagonal Promissory Note shall become immediately due and payable, (ii) the principal and interest balance of the note shall be increased by 150% and (iii) the 1800 Diagonal Promissory Note may be converted into Ordinary Shares of the Company at the sole discretion of the 1800 Diagonal. The conversion price shall equal the lowest closing bid price of the Ordinary Shares during the prior ten trading day period multiplied by 75% (representing a 25% discount). Any such conversion is subject to customary conversion limitations set forth in the 1800 Diagonal Promissory Note so the 1800 Diagonal beneficially owns less than 4.99% of the Company's Ordinary Shares. The 1800 Diagonal shall be entitled to deduct \$1.5 from the conversion amount in each Notice of Conversion to cover Holder's deposit fees associated with each Notice of Conversion.

On July 10, 2024, the Company entered into a Letter of Intent with PMB Partners, LP ("PMB"), as part of the Company's ongoing efforts to satisfy its existing liabilities while conserving cash. Although the Letter of Intent was binding, the Letter of Intent provided that the Company and PMB negotiate in good faith the drafting and execution exchange a \$1,000 senior secured note (originally due May 31, 2024 for a \$800 Convertible Note due December 31, 2024 ("the \$800 Convertible Note"), and a \$500 non-convertible promissory note due December 31, 2024 ("the \$500 Non-Convertible Promissory Note"), or together (the "Senior Promissory Note") and other ancillary documents, contracts, or agreements to give effect to the terms of the Letter of Intent not otherwise satisfied at or as of the Effective Date (the "Definitive Agreements").

The Definitive Agreements, consisting of a Subscription Agreement, a Notes Exchange Agreement, a Share Exchange Agreement, the Convertible Note and the Senior Promissory Note, with terms consistent with the Letter of Intent were all dated as of September 4, 2024. The convertible note and the non-convertible promissory note carries an annual interest of 15%. The investor has the right to convert the \$800 convertible note and accumulated interest into 2,673 ordinary shares.

The \$800 Convertible Note is a financial liability which measured on the initial day at fair value recognized financial expenses or income through profit and loss. In the subsequent measurement the \$800 Convertible Note is with accordance with the amortized cost method.

The conversion option meet the conditions for equity classification according to IAS 32 and recorded as equity instrument.

The \$500 Non-Convertible Promissory Note is a liability which measured on the initial day at fair value recognized financial expenses or income through profit and loss. In the subsequent measurement, the \$500 Non-Convertible Promissory Note measured in accordance with the amortized cost method.

As of December 31, 2024, the \$800 Convertible Note and the \$500 Non-Convertible Promissory Note amounted to \$1,360. All of the principal and accrued interest under the \$800 Convertible Note and the \$500 Convertible Note are due and owing as of the date of these financial statements.

NOTE 9 - BRIDGE LOANS LIABILITIES:

A. Between August 2022 to January 2023, Security Matters PTY Ltd. entered into bridge loan agreements (the “Bridge Loans”) with eleven lenders, which lent Security Matters PTY Ltd. an aggregate amount of \$3,860.

Part of the lender received also bonus warrants and redeemable warrants as described above.

The Bridge Loans have a maturity date of up to two years and bear an interest rate of 10% per annum.

The loan components were accounted in accordance with the amortized cost method.

As of December 31, 2024 and December 31, 2023, the principal and the accumulated interest of the bridge loans were amounted to \$728 and \$1,739, respectively.

As part of the Bridge Loans agreements, some of the lenders were granted two types of warrants:

(i) Bonus Warrants - 0.32 warrants to purchase ordinary shares of the Company at an exercise price of \$541 per share and a first priority security interest in the shares of Security Matters PTY's interest in TrueGold Consortium Pty Ltd.

The Bonus Warrants term is five years commencing upon the BCA.

Management valuing the Bonus Warrants using the Black and Scholes model.

As of December 31, 2024 and December 31, 2023, the fair value of the Bonus Warrants was nil.

(ii) Redeemable Warrants Type 1 – 0.13 warrants to purchase ordinary shares of SMX PLC at a purchase price of \$541 per share. The Redeemable Warrants Type 1 term is five years commencing upon the BCA.

- 50.00% of the Redeemable Warrants Type 1 shall be redeemable on a non-cumulative basis at the option of the holder, during the 30 days following the Business Combination for \$235.125 per warrant.
- 25.00% of the Redeemable Warrants Type 1 shall be redeemable on a non-cumulative basis at the option of the holder for the 30 days following the third anniversary of the Business Combination for \$235.125 per warrant.
- 25.00% of the Redeemable Warrants Type 1 shall be redeemable on a non-cumulative basis at the option of the holder for the 30 days following the fourth anniversary of the Business Combination for \$235.125 per warrant .

Management utilized a third-party appraiser to assist them in valuing the Redeemable Warrants Type 1. The fair value of the Redeemable Warrants Type 1 was calculated using the Monte-Carlo simulation model.

As of December 31, 2024 and December 31, 2023, the fair value of the Redeemable Warrants Type 1 was \$34 and \$72, respectively.

(iii) Redeemable Warrants Type 2 – 0.53 warrants to purchase ordinary shares of SMX PLC at a purchase price of \$541 per share. The Redeemable Warrants Type 2 term is five years commencing upon the SPAC transaction (see also Note 1B).

- 50.00% of the Redeemable Warrants Type 2 shall be redeemable on a non-cumulative basis at the option of the holder, during the 30 days following the first anniversary of the Business Combination for \$235.125 per warrant.
- 50.00% of the Redeemable Warrants Type 2 shall be redeemable on a non-cumulative basis at the option of the holder, during the 30 days following the second anniversary of the Business Combination for \$235.125 per warrant.

Management utilized a third-party appraiser to assist them in valuing the Redeemable Warrants Type 2. The fair value of the Redeemable Warrants Type 2 was calculated using Monte-Carlo simulation model.

As of December 31, 2024 and December 31, 2023, the fair value of the Redeemable Warrants Type 2 was \$140 and \$421, respectively.

NOTE 9 - BRIDGE LOANS LIABILITIES (CONT.):

Each investor has the option to decide that the Company will satisfy any or each redemption through the issuance of ordinary shares of the Company based upon a 20% discount to the 20-trading day VWAP preceding each such anniversary.

The main assumptions used in the three valuation models as of December 31, 2024 described above were:

- (1) risk free rate 4.27%; (2) volatility of assets 53.94%; and (3) expected terms of the warrants 3.18 years.

All warrants were classified as a derivative financial liability and are re-measured each reporting date, with changes in fair value recognized in finance expense (income), net.

The main assumptions used in the three valuation models as of December 31, 2023 described above were:

- (1) risk free rate 3.91%; (2) volatility of assets 73.74%; and (3) expected terms of the warrants 4.18 years.

All warrants were classified as a derivative financial liability and are re-measured each reporting date, with changes in fair value recognized in finance expense (income), net.

Conversions during the reporting period:

1. In March 2023, the Company signed an addendum to the Bridge Loans agreements which convert principal amount of \$1,350 and redeemable warrants at the amount of \$1,000 into 408 ordinary shares.
2. On December 31, 2023, the Company signed an addendum to the Bridge Loans agreements which convert principal amount of \$750 and redeemable warrants at the amount of \$1,450 into 1,886 ordinary shares. According to the addendum the company has issued to the lenders an aggregate of fully paid 1,886 warrants to purchase up to an aggregate of 1,886 ordinary shares at an exercise price of \$2,501 per share. The Warrants were exercisable immediately upon issuance and will expire three years following their issuance.

The warrants include a cashless exercise mechanism, according to the terms specified in the addendum and it's according to the lender election (the "Cashless Warrants").

Therefore, the Company accounted the Cashless Warrants as financial liability instruments that measured at fair value and recognized financial expenses or income through profit and loss.

As of December 31, 2023, the Cashless Warrants fair value was \$1,023.

The Company valued each Cashless Warrants at \$0.25 per warrant by using the Black-Scholes option-pricing model. The key inputs that were used in the Cashless Warrants fair value as of December 31, 2023 were:

- risk-free interest rate 4.13%
- expected volatility 70.39%
- expected dividend yield of 0%
- expected term of warrants – 3 years

3. During the twelve-month period ended December 31, 2024 all the Cashless Warrants were fully exercised in cashless and converted into 472 ordinary shares. In addition, the company issued another 290 ordinary shares according to an amendment to the agreement with those investors.
4. On June 27, 2024, the Company converted \$119 debt to 11,699 ordinary shares and issued 900 warrants at an exercise price of \$0.165 per warrant.
5. On September 4, 2024, the Company converted \$1,300 debt and accumulated interest into Senior Promissory Note (see note 8.H).

NOTE 10 – ALPHA SPA

On April 19, 2024, the Company entered into a Stock Purchase Agreement ("SPA") with Alpha, committing Alpha to purchase up to \$30 million of the Company's ordinary shares, subject to the SPA's terms. The Company may direct Alpha to purchase ordinary shares at its discretion after a three-month period, with a minimum purchase ("Put") of \$20 and a maximum of \$833 in any 30-day period, subject to certain pricing conditions based on market price. The Company has the right to terminate the SPA at no cost or penalty upon five trading days' prior written notice to Alpha, provided that there are no outstanding Put notices for which ordinary shares need to be issued and the Company has paid all amounts owed to Alpha pursuant to the SPA and any indebtedness the Company otherwise owes to Alpha or its affiliates. As of December 31, 2024, and as of the date of the authorization of these consolidated financial statements no withdrawal was carried out from this credit line. On May 9, 2025, after the balance sheet date, the Company terminated the SPA.

NOTE 11 – WARRANTS – DERIVATIVE FINANCIAL LIABILITY

On September 11, 2024, the Company entered into a private placement transaction (the “Private Placement”), pursuant to a Securities Purchase Agreement and a Registration Rights Agreement with certain institutional investors (the “Purchasers”), which under certain circumstances could result in an aggregate gross proceeds of up to \$5.350 million, before deducting fees to the placement agents and other expenses payable by the Company in connection with the Private Placement before deducting fees to the placement agents. 20% of the gross proceeds, or \$1,072 was held in escrow and repaid to the Purchasers pursuant to certain circumstances during the terms of the Series A Common Warrants issued in the Private Placement. The Company was unable to satisfy certain of the specified circumstances and did not receive the \$1,072 from Escrow and adjustments were made to the Warrants issued as described below. As such, the Company received gross proceeds of \$4,278 excluding transaction costs. Aegis Capital Corp. (“Aegis”), acted as the lead placement agent and ClearThink Securities acted as a co-placement agent for the Private Placement.

The offering consisted of the sale of 187,719 Common Units, each consisting of one Ordinary Share or Pre-Funded Warrant, two Series A Common Warrants each to purchase one Ordinary Share per warrant at an exercise price of \$28.5, subject to adjustment, and one Series B Common Warrants to purchase such number of Ordinary Shares as determined in the Series B Warrant. The public offering price per Common Unit was \$28.5 (or \$28.49 for each Pre-Funded Unit, which is equal to the public offering price per Common Unit to be sold in the offering minus an exercise price of \$0.00285 per Pre-Funded Warrant).

The Pre-Funded Warrants were immediately exercisable and may be exercised at any time until exercised in full. For each Pre-Funded Unit sold in the offering, the number of Common Units in the offering will be decreased on a one-for-one basis. During the offering the company issued 55,789 ordinary shares and 131,930 Pre-Funded Warrants.

The initial exercise price of each Series A Common Warrant is \$1.00 per Ordinary Share. The Series A Common Warrants are exercisable immediately subject to registration and expire by March 12, 3030. Post-adjustment, the number of securities issuable under the Series A Common Warrants in the aggregate is 766,201. The post-adjustment exercise price of each Series A Common Warrant is \$13.9.

The initial exercise price of each Series B Common Warrant is \$0.00285 per Ordinary Share. The number of Ordinary Shares issuable under the Series B Warrant, if any, is subject to adjustment to be determined pursuant to the trading price of the Ordinary Shares following the effectiveness of a resale registration statement that the Company has undertaken to file on behalf the Purchasers. Post-adjustment, the number of securities issuable under the Series B Common Warrant is 195,381. As of the date of the financial statements all the Series B Common Warrants have been exercised into ordinary shares.

The Pre-Funded Warrants, Series B Common Warrants and Series A Common Warrant all meets the definition of a derivative financial liability and measured at fair value through profit and loss on initial recognition and subsequent.

As of October 28, 2024, the fair value of the Pre-Funded Warrants was \$1,809 regarding the share price as of October 28, 2024, that represent the Pre-Funded Warrants fair value.

As of December 31, 2024, all the Pre-Funded warrants were converted into ordinary shares.

As of October 28, 2024, the fair value of the Series B Common Warrant was \$2,680 regarding the share price as of October 28, 2024, that represents the Series B Common Warrant fair value.

As of December 31, 2024, all the Series B Common Warrant were converted into ordinary shares

As of October 28, 2024, the fair value of the Series A Common Warrant was \$5,845 which is recognized on a systematic basis over the period the time-value of Warrant A decays, on a straight-line basis – the Company expects this period to be approximately five years.

Management utilized a third-party appraiser to assist them in valuing the Series A Common Warrant by using the Black-Scholes model. The key inputs that were used to estimate the fair value as of October 28, 2024, were:

- risk-free interest rate 4.11%
- expected volatility 59.1%
- expected dividend yield of 0%
- expected term of warrants – 5.4 years

As of December 31, 2024, 277,439 Series A Common Warrants have been exercised.

NOTE 11 – WARRANTS – DERIVATIVE FINANCIAL LIABILITY (CONT.):

The outstanding 488,762 Series A Common Warrants have been valued at the fair value of \$4,921, by using the Black-Scholes model and the balance as of December 31, 2024, was \$1,322. The key inputs that were used to estimate the fair value as of December 31, 2024, were:

- risk-free interest rate 4.38%
- expected volatility 58.9%
- expected dividend yield of 0%
- expected term of warrants – 5.2 years

The Company also entered into a Placement Agent Agreement with Aegis as the lead placement agent, The Company agreed to pay Aegis a cash placement fee equal to 10.0% of the gross cash proceeds received in the Private Placement, a 3% commission of the proceeds from any cash exercise of the Warrants, and to pay ClearThink Securities a cash placement fee equal to 2.0% of the gross cash proceeds received in the Private Placement.

The transaction cost amounted to \$1,113 and allocated to the financial instruments issued that measured at fair value through profit and loss and recorded as expenses incurred.

The placement agent fee includes liable to pay 3% of the proceeds from the cash exercise of Series A Common Warrants (“the 3% Provision”). The 3% Provision accounted for financial liability at fair value through profit and loss on initial recognition and subsequent.

Management utilized a third-party appraiser to assist them in valuing the 3% Provision by using the Black-Scholes model. The key inputs that were used to estimate the fair value as of October 28, 2024, were:

- risk-free interest rate 4.11%
- expected volatility 59.1%
- expected dividend yield of 0%
- expected term of warrants – 5.4 years

As of October 28, 2024, the fair value of the 3% Provision was \$76.

The key inputs that were used to estimate the fair value as of December 31, 2024, were:

- risk-free interest rate 4.38%
- expected volatility 58.9%
- expected dividend yield of 0%
- expected term of warrants – 5.2 years

As of December 31, 2024, the fair value of the 3% provision was \$59.

NOTE 12 - SHORT TERM LOAN

On December 28, 2024, the Company entered into a Loan Agreement, dated as of December 27, 2024 (the “Abri Loan Agreement”), with Abri Advisors Ltd. (“Abri”), pursuant to which the Company borrowed \$1,000 from Abri. Pursuant to the Abri Loan Agreement, the Company agrees to pay to Abri at the June 30, 2025 maturity date, \$1,400, which represents an original issue discount of 28.577%, plus interest on such amount at an absolute rate of 15%. During the period when any amounts under the Abri Loan Agreement are outstanding and remain due and payable, the Company shall not issue any other form of debt instrument ranking senior or pari passu to or with the obligations under the Abri Loan Agreement, whether in terms of payment or collateral, without the express prior written consent of Abri. Additionally, during the period when any amounts under the Abri Loan Agreement are outstanding and remain due and payable, if the Company undertakes, completes, agrees to complete, commits to complete, or otherwise sells any equity, or other securities fungible in any way into equity, warrants, options, preferred shares, convertible preferred shares, or any other form of equity-related instrument of the Company (a “Financing”), then the Company shall repay twenty percent (25.0%) of the then Loan Balance within three business days from the closing date of the Financing (a “Financing Repayment”). A Financing Repayment shall not reduce or otherwise diminish the amount due under the Abri Loan Agreement at the maturity of the loan, irrespective of the date of the Financing Repayment.

The Abri Loan Agreement contains customary Events of Default for transactions similar to the transactions contemplated by the Abri Loan Agreement. In the event of an Event of Default, subject to a three-day cure period, the loan balance due plus any Refinancing Repayment that may be due, then multiplied by 150%, shall become immediately due and payable by the Company to Abri (the “Default Payment Amount”). The Default Payment Amount shall compound interest at a monthly rate of 5.0% from the date it becomes due and payable up and until the date of payment. The Abri Loan Agreement contains representations and warranties made by each of the Company and Abri. As of 31 December 2024, the loan amount is \$1,000.

NOTE 13 - PRE-PAID ADVANCE:

In February 2023 the Company entered into a Standby Equity Purchase Agreement (“SEPA”) to raise up to \$25,000 in consideration of the issuance of ordinary shares over the course of 36 months with YA II PN, Ltd. (Yorkville”). According to the SEPA, the Company may issue Yorkville the ordinary shares at a purchase price as one of two options (i) equal to 96% of the weighted average price (“VWAP”) of the common stock during the applicable pricing period (ii) equal to 97% of the lowest VWAP of the common stock during a pricing period of 3 consecutive trading days commencing on the relevant period. Yorkville advanced to the Company an aggregate principal amount of \$3,500 (the “Pre-Paid Advance”). The Pre-Paid Advance was disbursed in two separate installments evidenced as convertible loans, the first for \$1,500 at the closing of the Business Combination, and the second, as subsequently amended, for \$2,000 upon the effectiveness of the Initial Yorkville Registration Statement. The purchase price for the Pre-Paid Advance is 92.0% of the Pre-Paid Advance. Such Pre-Paid Advances will be offset upon the issuance of ordinary shares to Yorkville at a price per share equal to the lower of (a) 100% of the daily VWAP of the ordinary shares on The Nasdaq Stock Market as of the trading day immediately prior to the date of the disbursement of the Pre-Paid Advance (the “Fixed Price”) (in the case of the first Pre-Paid Advance, \$3.65), or (b) 93.0% of the lowest daily VWAP of the Ordinary Shares on Nasdaq during the seven trading days immediately prior to each purchase (the “Variable Price” and the lower of the Fixed Price and the Variable Price shall be referred to as the “Purchase Price”); however, in no event shall the Purchase Price be less than \$1.10 (the “Floor Price”).

On July 27, 2023, the Company amended the promissory note evidencing the remaining Pre-Paid Advance to decrease the Floor Price to \$1.10 (as adjusted for reverse stock split which occurred on August 21, 2023), after the Company was required to repay in cash \$500 of principal amount as a result of the Company’s share price being below the original Floor Price. The Company made additional changes to the Yorkville agreement which effectively eliminates the floor price. The maturity date will be 12-months after the initial closing of each Pre-Paid Advance.

In February 2024, the Company entered into a Letter Agreement with Yorkville dated February 1, 2024 (the “Letter Agreement”), which amends the SEPA. Pursuant to the Letter Agreement, the Company agreed to make payments to Yorkville, which include proceeds of Advances under the SEPA, to repay the amounts outstanding under the Pre-Paid Advance plus payment premium. The Company agreed to pay a fee to Yorkville equal to \$200. The company paid in cash \$423 to Yorkville and issued 1,251 Ordinary Shares. The Yorkville SEPA was terminated on April 19, 2024. Additionally, the Company agreed to issue a 5-year warrant to purchase 117 Ordinary Shares at an exercise price of \$4.7025 per share to Yorkville. These warrants meet the fixed-for-fixed criterion of IAS 32, resulting in being classified as equity. On June 21, 2024, Yorkville exercised the warrants into 117 ordinary shares at an exercise price of \$4.7025 per warrant.

TE 14 - LEASES:

The Group has lease contracts for office facilities (including a lab) and motor vehicles used in its operations. Leases of office and lab facilities generally have lease terms of 12 years, motor vehicles generally have lease terms of 3 years.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Office and lab facilities	Motor vehicles	Total
As of January 1, 2023,	414	-	414
Additions	-	26	26
Foreign currency translation	(6)	-	(6)
Depreciation expense	(42)	(3)	(45)
As of December 31, 2023	366	23	389
Foreign currency translation	(1)	-	(1)
Depreciation expense	(37)	(3)	(40)
As of December 31, 2024	328	20	348

Information on leases:

	Year ended December 31,	
	2024	2023
Interest expense on lease liabilities	29	32
Total cash outflow for leases	79	45

For an analysis of maturity dates of lease liabilities, see Note 22 on liquidity risk.

NOTE 15 - OTHER PAYABLES:

	December 31, 2024	December 31, 2023
Excise Tax	1,569	1,569
Accrued expenses	1,596	31
Employees, salaries and related liabilities	1,008	726
Liabilities for grants received (see also note 24)	177	153
Related party	-	4
Total	4,350	2,483

NOTE 16 - BORROWINGS FROM RELATED PARTIES:

A. In 2015, the Group signed an agreement to receive a loan of ILS 2 million (approximately \$513) from certain shareholders. These loan bears interest at an annual rate of 4%.

	2024	2023
Balance at January 1,	-	710
Payment of borrowings	-	(657)
Exchange rate differences	-	(53)
Balance at December 31,	-	-

In consideration of providing funding as a seed capitalist, the Company agreed to provide, as additional consideration, a bonus payments (the “Bonus Payments”) on the occurrence of an exit or major liquidity event. In any way, the Bonus Payments are capped at ILS 3 million (approximately 965) per each of the two lenders.

The Bonus Payments are intended to operate in one of the two trigger events:

- (i) dividend distributions paid by the Company; or
- (ii) the sale of shares by a lender in Security Matters Ltd. (either in the event of a takeover or otherwise)

Only if the aggregate amounts of one of the two trigger events exceeds the investment of the lenders in the Company (in a way of loan or shares), then the lender would be entitled the Bonus Payments based on a formula set forth in the agreement.

The amount of the Bonus Payments is the amount that exceeds the aggregate sum invested in the Company (in a way of loan or shares) by the lender divided by several factors according to the formula as set forth in the agreement.

There is no time limit to pay the Bonus Payments. Once the Company has paid each Bonus Payment in its entirety (i.e., the cap of ILS 3 million has been paid to each Lender), then the Company has fulfilled its obligations. When the Bonus Payments are not expected to be made, the resulting cash flows will not affect profit and loss until the point in which the Company estimates that the liquidity events will take place. As of December 31, 2021, the Company estimated that is more likely than not that the shareholders will sell their shares in 2022 which will entitle them to the Bonus Payments. The amount of the Bonus Payment is subject to assumptions that were made with the assistance of external appraisal. As a result, the increase in the carrying amount of the liability was charged as expense of \$87 to profit and loss in 2021.

In August 2022 the loan from related party has been fully repaid and the Company signed an addendum to the loan agreement that reduces the total amount of the Bonus Payments to ILS 2.5 million (approximately \$710), to be paid upon the completion of the business combination. As of December 31, 2022, the liability was \$710.

On September 19, 2023, the Company amended its loan agreements dated September 7, 2015, by and between the Company, its shareholders and Kamea Fund (the “Kamea Loan Agreements”). Pursuant to the amendment to the Kamea Loan Agreements, Kamea agreed to convert \$657 of indebtedness under the Kamea Loan Agreements (the “Indebtedness Amount”) into 487,281 ordinary shares (post Reverse Stock Split) of the Company, as payment in full for the Indebtedness Amount; provided however, that in the event the proceeds received from Kamea with respect to any sales of such shares are not at least equal to the Indebtedness Amount, the Company will remain liable to Kamea for the balance of the Indebtedness Amount. In accordance with management estimation the fair value of this Indebtedness is \$21.

NOTE 17 - SHAREHOLDERS' EQUITY

A. Share capital:

	Number of shares			
	December 31, 2024		December 31, 2023	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
Preferred shares USD 0.0001 par value	200,000,000,000	-	200,000,000,000	-
Deferred shares Euro 1 par value	25,000	25,000	25,000	25,000

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have a par value per share of \$4.7025 and the Company does not have a limited amount of authorized capital.

Preferred shares

Preferred shares with such designation, rights and preferences as may be determined from time to time by the Company's Board of Directors.

Deferred shares

Deferred Ordinary Shares are non-voting shares and do not convey upon the holder the right to be paid a dividend or to receive notice of or to attend, vote or speak at a general meeting. The Deferred Shares confer the right on a return of capital, on winding-up or otherwise, only to the repayment of the nominal value paid up on the Deferred Shares after repayment of the nominal value of the Ordinary Shares.

B. Changes in Share capital

1. On March 7, 2023 (the "Closing Date"), the Company consummated the Business Combination as described in Note 1B. Beginning on the day immediately prior to the Closing Date and ending on the day immediately after the Closing Date, the following transactions occurred:
 - a) The AUD 828,240 of the 2022 Convertible Notes have been cancelled in consideration for the issuance of 1,000,000 ordinary shares in Security Matters PTY Ltd.
 - b) Security Matters PTY Ltd. performed acceleration of vesting for all unvested warrants and options, the expense for the acceleration amounted to \$186.
 - c) 32,211,716 warrants and options have been exercised on a cashless basis to 24,568,773 shares in Security Matters PTY Ltd.
 - d) 848,784 (post reverse stock split) ordinary shares of the Company have been issued to Security Matters PTY Ltd.'s shareholders in return for their 193,500,379 ordinary shares in Security Matters PTY Ltd. that were cancelled. Security Matters PTY Ltd.'s shareholders received as consideration 1 ordinary share of the Company per 10.3624 Security Matters PTY Ltd.'s ordinary shares.
 - e) The Company issued 160,227 ordinary shares, 2,200,000 private warrants and 6,250,000 public warrants to Lionheart's stockholders, in exchange for their existing Lionheart shares and warrants. The warrants exercise price is \$11.5 per share, expiring in March 2028. The warrants are considered to be a derivative financial
 - f) liability and measured at fair value, which is the market price as of the end of the period, amounted to \$0.0204 per warrant.
 - g) The Company issued 303,053 ordinary shares for an aggregate of \$3,110 net proceeds.
 - h) The Company issued 872,418 ordinary shares for the conversion of bridge loan at principal amount of \$1,350 and 200,000 redeemable warrants (\$5 per warrant, 5 years, exercise price of \$11.5 per share).
2. During 2023, the Company issued 579 ordinary shares (2 shares as commitment fees) to Yorkville for an aggregate of \$1,979 net proceeds (see also note 13).

NOTE 17 - SHAREHOLDERS' EQUITY (CONT.):

3. On June 22, 2023, the Company entered into an underwriting agreement (the "Underwriting Agreement") with EF Hutton, LLC (the "Underwriter") relating to the public offering of (i) 284 ordinary shares of the Company, at a subscription price per share of \$11,286 (the "Firm Shares"), (ii) 284 warrants in the form of Warrant A to subscribe for 284 ordinary shares, at an exercise price of \$513 per share ("Warrant As"), and (iii) 284 warrants in the form of Warrant B to subscribe for 284 ordinary shares, at an exercise price of \$11,286 per share ("Warrant Bs" and together with Warrant A, the "Firm Warrants" and, collectively with the Firm Shares, the "Firm Securities").

The Company also granted the Underwriter a 45-day option to subscribe for, in the aggregate, (a) up to 43 additional ordinary shares (15% of the Firm Shares) at a subscription price per share of \$11,286 (100% of the public offering price allocated to each Firm Share) (the "Option Shares" and together with the Firm Shares, the "Shares") or Pre-Funded Warrants to subscribe for up to 43 ordinary shares at a price per share of \$11,286 (100% of the public offering price allocated to each Firm Share less \$11,281) and the remaining non pre-funded exercise price of each pre-funded warrant will be \$11,281 per share, and/or (b) 43 warrants in the form of Warrant As to subscribe for an aggregate of 43 ordinary shares (15% of the Firm Warrants) at an exercise price of \$11,286 per warrant (100% of the public offering price allocated to each set of warrants in the form of Warrant As), and/or (c) 43 warrants in the form of Warrant Bs to purchase an aggregate of 43 ordinary shares (15% of the Firm Warrants) at a purchase price of \$11,286 per warrant (100% of the public offering price allocated to each set of warrants in the form of Warrant Bs) (the "Option Warrants" and together with the Firm Warrants and Pre-Funded Warrants, if any, the "Warrants"), which may be subscribed for in any combination of Option Shares and/or the Option Warrants. The Option Shares and the Option Warrants are referred to as the "Option Securities".

The offering closed on June 27, 2023. The Company delivered the Firm Shares (or Firm Share equivalents in the form of Pre-Funded Warrants), the Firm Warrants and the Option Warrants to the Underwriter on the same day.

The Warrant A terms specify that the warrants may be exercised at any time on or before June 27, 2028. On or after the earlier of (i) the thirty day anniversary of the date of the Underwriting Agreement and (ii) the date on which the aggregate composite trading volume of the Company's ordinary shares as reported by Bloomberg LP beginning on the date of the Underwriting Agreement exceeds 319 ordinary shares, a holder of Warrant As warrants may also provide notice and elect a cashless exercise.

Warrants A and B expire in June 2028.

Warrant As were accounted as a derivative financial liability. As of December 31, 2024, all Warrant As warrants were exercised cashless into ordinary shares.

Warrant Bs were accounted as a derivative financial liability and valued at \$129 per warrant by using the Black-Scholes option-pricing model, with expected volatility of 70.39% and the risk-free interest rate used is 4.13%.

The net proceeds to the Company upon the closing of this offering were approximately \$2,580. The capital raise fee amounted to \$660. The Company also granted Underwriter 312 warrants at an exercise price of \$564 per share, which expires after 5 years. The Underwriter's warrants were valued at \$123 per option by using the Black & Scholes option-pricing, with expected volatility of 70.39% and the risk-free interest rate used is 4.13%.

During December 2023, the company entered into inducement offer letter agreement with the holders regarding the Warrant Bs reset. Pursuant to the inducement letter, the holders agreed to exercise for cash the outstanding.

Warrant Bs an aggregate of 284 shares of the Company's Ordinary Shares at an exercise price of \$2,458 per share. According to the inducement offer letter agreement the Company issued two types of new warrants:

- (i) up to 319 warrants to purchase up to 319 shares of the Company's Ordinary Shares at an exercise price of \$4.7025 per share.
- (ii) up to 106 warrants to purchase up to 106 shares of the Company's Ordinary Shares at an exercise price of \$2,458 per share.

The Company received aggregate gross proceeds, before payment of transaction fees and expenses, of \$697 from the exercise of the Warrant Bs by the holders, and the carrying amount of those warrants, was classified to ordinary shares and premium together with the proceeds the Company received from the exercise price.

NOTE 17 - SHAREHOLDERS' EQUITY (CONT.):

In accordance with IAS 32, the Company measured the difference between the fair value of the consideration the holder receives on conversion of the instrument under the revised terms and the fair value of the consideration the holder would have received under the original terms, was recognized as a loss in profit or loss.

The Company utilized Black-Scholes valuation model to calculate the fair values of the repriced warrants both before and after the repricing and recognized the incremental fair value of \$209 as finance expense in the statement of comprehensive income against an increase in the carrying amount of the warrants (presented within issued capital and additional paid-in capital). In addition, fair value was also calculated for the new 425 issued new warrants at the amount of \$865, which was recognized as finance expense against an increase in equity. The new Warrants type 1 and type 2 were classified as equity instruments according to IAS 32.

During January 2024, pursuant to the inducement letter of reset warrants, the holders exercised 213 of the new type 1 Warrant Bs at an exercise price of \$4.7025 per warrant into ordinary shares. The company received aggregate proceeds of \$1.

4. On August 8, 2023, at the Extraordinary General Meeting of Shareholders of the Company, the Company's shareholders voted in favor of consolidating every twenty-two ordinary shares in the authorized but unissued and in the authorized and issued share capital of the Company into one ordinary share (22:1).

On August 21, 2023, the Company's ordinary shares began trading on the Nasdaq Global Market on a post-Reverse Stock Split basis under the current symbol "SMX".

5. On September 19, 2023, the Company amended the Kamea Loan Agreements. Pursuant to the amendment to the Kamea Loan Agreements, Kamea agreed to convert \$657 of indebtedness under the Kamea Loan Agreements (the "Indebtedness Amount") into 228 ordinary shares of the Company, as payment in full for the Indebtedness Amount; provided however, that in the event the proceeds received from Kamea with respect to any sales of such shares are not at least equal to the Indebtedness Amount, the Company will remain liable to Kamea for the balance of the Indebtedness Amount (see also note 16).
6. On December 31, 2023, the Company also issued 214 Ordinary Shares to a service provider as payment in full for \$260 worth of legal services which previously provided to the Company.
7. On January 4, 2024, the Company issued 47 ordinary shares to a service provider in connection with certain investor relations services.
8. Pursuant to Letter Agreement with Yorkville signed on February 2, 2024, the Company issued during the first quarter of 2024, 1,251 ordinary shares for an aggregate of \$527 net proceeds and in addition in June 21, 2024 the investor exercised the 117 warrants into 117 ordinary shares at an exercise price of \$4.7025 per warrant (see also note 13).
9. On February 1, 2024, the Company issued 234 ordinary shares to EF Hutton pursuant to their agreement as an underwriter.
10. On February 20, 2024, the Company completed an underwritten public offering of 5,672 Ordinary Shares and pre-funded warrants at \$513 per share, generating gross proceeds of approximately \$2.91 million. The offering included a provision for the issuance of pre-funded warrants, convertible on a 1-for-1 basis into Ordinary Shares at a price of \$508 per share, to prevent any purchaser from exceeding 4.99% beneficial ownership. After deducting discounts, commissions, and offering expenses, net proceeds amounted to approximately \$2.69 million. The Company paid the underwriter a cash fee of 2.5% of the gross proceeds, alongside \$100 in expenses. The pre-funded warrants met the fix for fix criteria and were classified as equity instrument.

As of December 31, 2024, the Company issued 1,620 ordinary shares at a subscription price per share of \$513 and 4,052 ordinary shares due to Pre-Funded Warrants exercise at a price per Pre-Funded Warrant of \$508.

NOTE 17 - SHAREHOLDERS' EQUITY (CONT.):

11. Pursuant to a private placement binding term sheet dated February 28, 2024, the Company issued 100,000 warrants to the investor with an exercise price of \$0.05 per share (see also note 8.D).
12. During 2024, Alpha converted \$2.3 million of convertible promissory note and accrued interest into an aggregate of 670 Ordinary Shares and exercised 1,838 Warrant A (see also note 8.C).
13. On April 11, 2024 pursuant to a Securities Purchase Agreement with Alpha, the Company issued 5,532 warrants for a 5.5 years period with an exercise price of \$336 per warrant. In addition, pursuant to a Warrant Amendment and Inducement Letter, Alpha exercised his outstanding "B" warrants to purchase 1,225 Ordinary Shares. The Existing Warrants were issued to Alpha as of September 6, 2023 and had a fixed exercise price of \$3,501 per share. Pursuant to the Inducement Letter, Alpha agreed to exercise for cash the existing warrants in full at a reduced exercise price of \$4.7025 per share.

Alpha converted approximately \$2,110 of the principal amount into 467,424 ordinary shares. As of December 31, 2024, Alpha exercised all the warrants pursuant to a cashless mechanism into 5,387 Ordinary Shares. (see also note 8.E)

14. During the twelve-month period ended December 31, 2024 all the Cashless Warrants were fully exercised in cashless and converted into 472 ordinary shares. In addition, the Company issued another 290 ordinary shares according to an amendment to the agreement with certain former debtholders. (see note 9)
15. During April 2024, a service provider exercised in a cashless transaction all its warrants and the Company issued 54 ordinary shares. In addition, the Company issued another 32 ordinary shares according to an amendment to the agreement with her.
16. On April 24, 2024, the Company issued to Alpha 1,275 Ordinary Shares as a 1.5% commitment fee under the SPA signed on April 19, 2024 (see note 10).
17. During the second quarter of 2024, the Company converted \$569 of debt into 1,494 ordinary shares.
18. On June 27, 2024, the Company converted \$119 debt to 410 ordinary shares and issued 32 warrants at an exercise price of \$4.7025 per warrant.
19. On July 10, 2024, the Company entered into a Letter of Intent (LOI) with PMB. Under the LOI, the Company restructured \$1.3 million of its debt to PMB (see note 8.H). Subsequently, the Company entered into definitive agreements reflecting the terms of the LOI. PMB exchanged its shares in TrueGold, for 1,022 Company shares. The Company also issued 1,818 shares as consideration for PMB's waivers and releases related to the debt.
20. On July 19, 2024, pursuant to a Securities Purchase Agreement, the Company issued to Alpha 7,317 warrants for a 5.5 years period with an exercise price of \$178 per warrant. The warrants also may be exercised pursuant to a cashless mechanism. As of December 31, 2024, all of the warrants were exercised into 7,188 ordinary shares. (see note 8.F).

NOTE 17 - SHAREHOLDERS' EQUITY (CONT.):

21. On September 11, 2024, pursuant to a Securities Purchase Agreement, the Company issued to investors an aggregate of 55,789 ordinary shares, 131,930 Pre-Funded Warrants and 375,439 series A common warrants. On October 28, 2024, pursuant to the terms of the transaction, the Company further issued 195,381 Series B Common Warrants and an additional 390,763 Series A Common Warrant.

As of 31 December 2024, the investors exercised all of Pre-Funded Warrants and Series B Common Warrants, and 277,439 of the Series A Common Warrants. As of December 31, 2024, the outstanding Series A Common Warrant totaled 488,762 at an exercise price of \$13.96. (see note 11).

22. On September 16, 2024, an investor converted \$23 of its convertible security of the Company into 793 ordinary shares. (see note 8.E).
23. During September 2024, a service provider exercised options into 48 ordinary shares in cashless exercise.

B. Share-Based Compensation:

1. In June 2018, Security Matters PTY Ltd. adopted a Share Option Plan (the "Plan") to provide an incentive to retain, in the employment or service or directorship of the Group and provide the ability to attract new employees, directors or consultants whose services are considered valuable. The persons eligible to participate in the Share Option Plan include employees, directors and consultants of Security Matters PTY Ltd. or any subsidiary. On March 7, 2023, as part of the SPAC transaction, these options were exercised on a cashless basis and then after replaced with the Company's shares.
2. On March 7, 2023, Security Matters PTY Ltd. performed acceleration of vesting for all unvested warrants and options, the expense for the acceleration amounted to \$186.
3. In April 25, 2023, the Company's board of directors and its shareholders approved and adopted the SMX Public Limited Company 2022 Incentive Equity Plan, which was subsequently amended by the Company's board of directors, subject to applicable Nasdaq requirements, which reserved for grant a number of ordinary shares equal to 15% of the number of issued and outstanding ordinary shares on a fully diluted basis immediately after the closing of the Business Combination, or 2,378 authorized ordinary shares.
4. During the year ended December 31, 2023, the Company granted 18 options with vesting period up to 4 years from the grant date, to employees and service providers. These options carry an exercise price of \$48.5-\$188. The contractual life of the options under the plan is 5 years. The fair value of the grant at grant date was \$219. The related share-based expenses that were recognized in the year ended December 31, 2024, and 2023, amounted to \$1 and \$184 respectively.

The options were valued using the Black-Scholes pricing model. The main parameters which were used are: (1) risk-free rate: 3.58-3.42%; (2) expected volatility: 78.35-73.01%; (3) expected term: up to 5 years; and (4) expected dividend yield: 0%.

5. During the year ended December 31, 2023, the Company granted 92 RSUs to employees, directors and service providers. The fair value at grant date of RSUs granted in the period were \$2,100-\$2,300. The related share-based expenses that were recognized as of December 31, 2024, and 2023 totaled \$978 and \$2,820, respectively.
6. On January 31, 2024, the Company granted 702 RSUs to employees, directors and service providers. The fair value at grant date was \$855 per RSU. The RSUs shall vest monthly in equal installments over 18 months beginning on the anniversary of the grant date, with an acceleration clause that was effective within the year 2024. Related share-based expenses recognized for the period totaled \$585.

NOTE 17 - SHAREHOLDERS' EQUITY (CONT.):

7. On July 21, 2024, the Company granted 241 RSUs to an advisor. The fair value at grant date was \$43 per RSU. The RSUs shall vest monthly in equal installment until December 20, 2024. Related share-based expenses recognized for the period totaled \$43.
8. On August 29, 2024, the Company amended its 2022 Incentive Equity Plan, to increase the number of authorized Ordinary Shares under the Incentive Plan to 53,500 from 1,045. As a Foreign Private Issuer, Nasdaq Rule 5615(a)(3) allows the Company to rely on home country corporate governance practices in lieu of certain of the rules in the Nasdaq Rule 5600 Series and Rule 5250(d) and, accordingly, the Company so elected to approve the amendment without stockholder approval.
9. On August 29, 2024, the Company granted an aggregate of 14,430 fully vested RSUs to its employees, executive officers and directors, and to certain consultants and advisors of the Company. The fair value at grant date was \$82 per RSU. The RSUs shall vest immediately. The related share-based expenses recognized for the period totaled \$1,176.
10. During the year ended December 31, 2024, the Company granted 23,951 fully vested options with vesting period up to 4 years from the grant date to employees and service providers.

These options carry an exercise price of \$36 and the contractual life under the plan is 5 years.

The fair value of the grant at grant date is \$874.

The related share-based expenses that were recognized in the year ended December 31, 2024, amounted to \$874.

The options were valued using the Black-Scholes pricing model. The main parameters which were used are: (1) risk-free rate: 3.82%; (2) expected volatility: 71.56%; (3) expected term: up to 2.5 years; and (4) expected dividend yield: 0%.

11. A summary of the status of the Company's Share Option Plan granted to employees and service providers (including performance-based awards) and changes during the relevant period are presented below:

RSUs granted to employees, directors and service providers:

	Year ended December 31, 2024	Year ended December 31, 2023
Outstanding at the beginning of the year	63	-
Granted	15,373	92
Vested	(15,342)	(27)
Forfeited	(25)	(2)
Outstanding at the end of year	69	63

NOTE 17 - SHAREHOLDERS' EQUITY (CONT.):

Options granted to employees, directors and service providers:

	Year ended December 31, 2024		Year ended December 31, 2023	
	Number of options	Weighted average Exercise price (USD\$)	Number of options	Weighted average Exercise price (USD\$)
		(USD\$)		(USD\$)
Outstanding at beginning of year	30	149.45	27	94.5
Issue of options	23,951	83.50	18	175.36
Expired	(1)	188	(15)	66.30
Outstanding at the end of year	23,980	83.57	30	149.45
Exercisable options	23,966	83.54	27	146.78

NOTE 18 - GENERAL AND ADMINISTRATIVE EXPENSES:

	Year Ended		
	December 31, 2024	December 31, 2023	December 31, 2022
Share based compensation	3,178	1,222	137
Professional services	2,556	667	1,105
Transaction cost	2,544	7,278	-
Public company expenses	1,959	5,128	-
Wages and salaries related	1,217	1,348	935
Insurance	675	50	60
Travel expenses	350	611	223
Office and maintenance	170	170	145
Depreciation and amortization	27	30	35
Other	53	63	83
Total	12,729	16,567	2,723

NOTE 19- RESEARCH AND DEVELOPMENT EXPENSES:

	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022
Salaries and related expenses	2,796	2,228	2,166
Materials and laboratory expenses	434	223	316
Share based compensation	403	447	127
Travel expenses	260	87	50
Depreciation and amortization	172	197	255
Subcontractors and consultants	135	344	374
Freight	8	33	30
Other	5	10	6
Reimbursement from paid pilots and proof of concept projects	(1,154)	(858)	(1,426)
Total	3,059	2,711	1,898

NOTE 20 – SELLING AND MARKETING EXPENSES:

	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022
Marketing expenses	507	433	461
Salaries and related expenses	398	176	-
Share based compensation	76	28	108
Travel expenses	8	24	-
Other	3	-	-
Total	992	661	569

NOTE 21 - TAXES ON INCOME:

1. The Company is incorporated and domiciled in Ireland where the applicable tax rate is 12.5%.

2. Theoretical tax:

	December 31, 2024	December 31, 2023	December 31, 2022
<i>Reconciliation of income tax at the statutory rate</i>			
Loss before income tax	(35,401)	(20,989)	(6,184)
Theoretical tax rate of 12.5%	(4,425)	(2,624)	(1,701)

Tax effect amounts which are not deductible/(taxable) in calculating taxable income:

Non-deductible expenditure and others	2,984	3,254	335
Unrecognized temporary differences and tax losses for which deferred tax weren't recognized	1,441	(630)	1,366
Income tax / (benefit)	—	—	—

3. As of December 31, 2024, the Group has estimated carry forward tax losses of approximately \$69,363 (2023: \$45,095, 2022: \$24,106) which may be carried forward and offset against taxable income for an indefinite period in the future. The Group did not recognize deferred tax assets relating to carry forward losses in the financial statements because their utilization in the foreseeable future is not probable.

NOTE 22 - LOSS PER SHARE

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Net loss attributable to the owners of the company	<u>(31,092)</u>	<u>(20,914)</u>	<u>(6,184)</u>
)))
Basic and diluted loss per share	<u>(248)(1)</u>	<u>(16,557)(1)</u>	<u>(17,624)(2)</u>
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	<u>125,329</u>	<u>1,260</u>	<u>351</u>

(1) The share and per share information in these financial statements reflects the 1-for-75 and 1 for 28.5 reverse share splits that became effective on July 15, 2024 and on January 15, 2025, respectively, of the Company's issued and outstanding Ordinary Shares. See also note 1.F and 1.G.

(2) Restated as a result of the SPAC transaction and after giving effect to the Reverse Stock Splits. See also note 1.B.

The calculation of the basic and diluted loss per share for all past periods presented have been adjusted retrospectively based on the new number of shares derived from the conversion ratio.

NOTE 23 - RELATED PARTIES:

Key Management Personnel Compensation and other related party transactions and balances:

The key management personnel, among others, include board members, CEO and CFO.

The totals of remuneration paid to Key Management Personnel and related parties during the years are as follows:

1. Transactions with related parties:	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Share based payments	2,675	2,084
Short-term salary and fees	661	803
Revaluation of financial liabilities at fair value	344	1,204
Payments for legal services	337	287
Post-employment retirement benefits	98	98
Non-monetary benefits	41	49
Payment for Administrative services	-	34
Conversion of loan to ordinary shares	-	657
Short-term salary until deletion	-	22
	<u>4,156</u>	<u>5,238</u>

NOTE 23 - RELATED PARTIES (CONT.):

2. Balance with related parties:		December 31, 2024	December 31, 2023
Key management	Salary and related	(166)	(219)
Directors	Consultant services	(83)	-
Joint Ventures	Investment in subsidiary	105	115
Joint Ventures	Other receivables	15	15
Shareholders	Other accounts payable	-	(3)
Shareholders	Trade payables	-	(58)
Shareholders	Derivatives	-	(476)
		(129)	(626)

NOTE 24 - GOVERNMENT GRANTS

The Government of Israel encourages research and development projects oriented towards products for export or projects which will otherwise benefit the Israeli economy. This is conducted via the Israel Innovation Authority (IIA), which replaced the former Office of the Chief Scientist (OCS). The Group has an approved project with the IIA under which it received a total of \$162 in prior years. The Group is subject to paying 3% of its relevant revenues until repayment of the entire grant. As of December 31, 2023 and 2024, the Group has not paid any royalties to IIA. The difference between the consideration received and the liability recognized at inception (present value) was treated as a government grant according to IAS 20 and recognized as a reimbursement of research expenses.

Until October 25, 2023, the interest was calculated at a rate based on 12-month London Interbank Offered Rate, or LIBOR applicable to US Dollar deposits. However, on October 25, 2023, the IIA published a directive concerning changes in royalties to address the expiration of the LIBOR. Under such directive, regarding IIA grants approved by the IIA prior to January 1, 2024 but which are outstanding thereafter, as of January 1, 2024 the annual interest will be calculated at a rate based on 12-month Secured Overnight Financing Rate, the SOFR, or at an alternative rate published by the Bank of Israel plus 0.71513%; and, for grants approved on or following January 1, 2024 the annual interest will be the higher of (i) the 12 months SOFR interest rate, plus 1%, or (ii) a fixed annual interest rate of 4%.

	December 31, 2024	December 31, 2023
Short term liability at year end	146	153
Total	146	153

NOTE 25 - COMMITMENTS AND CONTINGENT LIABILITIES:

As part of the Board's ongoing regulatory compliance process, the Board continues to monitor legal and regulatory developments and their potential impact on the Company. Management is not aware of any contingencies that may have a significant impact on the financial position of the Company.

A. In January 2015, the Company entered an agreement with Isorad Ltd. (a company wholly owned by the State of Israel with rights to exclusively commercialize the Soreq Research Center technology for civilian uses), according to which the Company was granted technological license in return for future royalties based on 2.2% of gross sales by the Company and its affiliates and after 25 years the license becomes royalty-free. Upon the occurrence of an M&A event (as such event is defined in the agreement to include mergers, sale of all or substantially all the assets of ours and similar event), in the first M&A event, the Company is to pay a consideration equal to 1% of the amount received or transferred and in the second M&A event, a consideration equal to 2% of the amount received or transferred. This will not apply to any future offer of shares, merger or sale of assets thereafter.

On January 2023, the Company signed an amendment to the agreement that determine the following:

(1) for the BCA with Lionheart, Isorad was issued (a) 864,000 options to purchase shares of the Company, the options were issued in January 2023 and valued using the Black-Scholes pricing model. The main assumptions which were used are: (1) risk-free rate: 3.42%; (2) expected volatility: 81.92%; (3) expected term: up to 3 years; and (4) expected dividend yield: 0%;

The fair value of these options was \$33 and recognized as a technology license intellectual property.

(2) Additionally, Isorad will be entitled to 1% of any amount actually received against equity or other funding convertible into equity at the closing of the transaction and until 13 months

thereafter (to be paid after reaching an aggregated received amount of 27 million, or at the end of such 13 months, the earlier thereof).

As of December 31, 2024 and 2023, based on the funds the Company actually received, the Company recognized a technology license intellectual property at the amount of \$158 and \$125, respectively against a liability that reflects the due amount.

(3) Exit fee - in the occurrence of the first M&A event (as such event is defined in such agreement to include mergers, sale of all or substantially all the assets of the Company and similar event) after the closing of the BCA, the Company is to pay a cash amount equal to 1.5% of the amount received or transferred. This will not apply to any future offer of shares, merger or sale of assets thereafter.

B. On January 12, 2024, the Company announced that it entered into a \$5 million contract with R&I Trading of New York ("R&I Trading"). The intention of the agreement with R&I Trading was to provide a service on supply chain management to a NATO member state. Subsequent to June 30, 2024, R&I Trading sent a termination notice to the Company and a demand for arbitration with respect to disputed payment amounts under the contract. The Company believes the termination of the contract is unlawful and has demanded that R&I Trading honor its obligations under the contract. The Company further believes R&I Trading's claims are without merit and intends to defend any action, if and when commenced, vigorously. The Company is currently engaged in an arbitration process with R&I Trading. The statements of claim by the parties to the arbitration proceedings were filed on January 6, 2025. R&I Trading's statement of claim demands full restitution of the amounts paid by it under the agreement. The Company's statement of claim alleges that R&I Trading breached the agreement and has requested the arbitrator to grant relief for the division of remedies in the event that the Company is presented with further expenses by suppliers and employees that have not yet been included in its damage estimate. The Company also raised claims regarding loss of opportunities and requested declaratory relief in favor of the Company. Prior to filing the statement of claim, on December 26, 2024, the Company filed a motion for declaratory relief. On January 9, 2025, R&I Trading responded to the motion. On March 6, 2025, the parties filed a request for the approval of a mutual procedural arrangement, under which, among other things, R&I Trading will file an affidavit stating that it is not using the Company's IP rights and has no intention of violating the Company's IP rights; the Company will withdraw the motion for a declaration and amend its statement of claim accordingly by March 30, 2025; the statements of defense will be filed by April 21, 2025; and the statements of reply will be filed by May 12, 2025.

On March 7, 2025, the arbitrator approved the request, and on March 23, 2025, R&I Trading filed its affidavit. On May 11, 2025, the parties filed their statements of defense. At this preliminary stage, it is not possible to assess the chances of the Company's claim and the outcome of the arbitration proceedings

NOTE 26 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

Composition of the Group's financial assets and financial liabilities:

	December 31,	
	2024	2023
Financial assets at amortized cost:		
Cash and cash equivalents	2,343	168
Other current receivables	1,993	424
Total financial assets	4,336	592
 Financial liabilities at fair value through profit or loss:		
Short term loan	1,000	-
Convertible notes	391	377
Convertible Features	791	-
Warrants - derivative financial liability	1,384	1,143
Pre-paid advance	-	700
Bridge loans liabilities	902	2,233
Total financial liabilities at fair value through profit or loss	4,468	4,453
 Financial liabilities at amortized cost:		
Trade and other payables	13,605	12,487
Convertible notes	2,469	1,013
Lease liabilities	418	649
Government grants	177	153
Total financial liabilities at amortized cost	16,669	14,302
Total financial liabilities	21,137	18,755

Financial risk management objectives

The Group's activities expose it to a variety of financial risks such as market risks (foreign currency risk), credit risk and liquidity risk. The Company's management oversees the management of these risks, focusing on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses different methods to monitor different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, ageing analysis for credit risk and maturity analysis in respect of liquidity risk.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, which in the group's case refers only to foreign currency risk. Financial instruments affected by this risk include, loans and borrowings and short-term payables and receivables.

NOTE 26 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Foreign currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the functional currency. The Group is exposed to foreign exchange risk arising from currency exposure primarily with respect to the NIS and Euro.

As of December 31, 2024, the Group has excess financial liabilities over financial assets in foreign currencies in relation to the NIS, AUD, SGD and EUR totaling approximately \$2,745, \$376, \$103 and \$163, respectively (December 31, 2023: approximately \$1,651, \$185, \$142 and \$101, respectively).

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity test to a reasonably possible change of 10% in EUR and NIS exchange rates against the USD, with all other variables held constant. The impact on the Group's net loss (tax effect is not relevant) and equity is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The Company's exposure to foreign currency changes for all other currencies is immaterial.

	Change in NIS rate	Effect on net loss
December 31, 2024	10%	275
December 31, 2023	10%	165
	Change in AUD rate	Effect on net loss
December 31, 2024	10%	38
December 31, 2023	10%	19
	Change in SGD rate	Effect on net loss
December 31, 2024	10%	10
December 31, 2023	10%	14
	Change in EUR rate	Effect on net loss
December 31, 2024	10%	16
December 31, 2023	10%	10

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations as a customer or under a financial instrument leading to a loss to the Group. The Group is exposed to credit risk from its operating activity (other receivables and cash balances). The Group's main financial assets are cash and cash equivalents as well as other receivables and their carrying amounts represent the Group's maximum exposure to credit risk. Credit risk from balances with banks and financial institutions is managed by the Group's management in accordance with the Group's policy. Wherever possible and commercially practical, the Group holds cash with major financial institutions in Israel and Australia which the Company's management regards as financially solid.

NOTE 26 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group has procedures to minimize such loss by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. As of the balance sheet date, the Group has a positive working capital.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

As of December 31, 2024

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years	Total
Trade and other payables	13,605	-	-	-	-	-	13,605
Short term loan	1,000	-	-	-	-	-	1,000
Bridge loans	902	-	-	-	-	-	902
Government grants	177	-	-	-	-	-	177
Lease liability	81	74	74	74	74	41	418
Convertible note	3,651	-	-	-	-	-	3,651
Financial derivatives	1,384	-	-	-	-	-	1,384
	20,800	74	74	74	74	41	21,137

As of December 31, 2023

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years	Total
Trade and other payables	12,487	-	-	-	-	-	12,487
Bridge loans	1,750	453	15	15	-	-	2,233
Government grants	153	-	-	-	-	-	153
Lease liability	81	81	74	74	74	265	649
Convertible promissory note	1,013	-	-	-	-	-	1,013
Pre-paid advance	700	-	-	-	-	-	700
Convertible note	377	-	-	-	-	-	377
Financial derivatives	1,143	-	-	-	-	-	1,143
	17,704	534	89	89	74	265	18,755

NOTE 27 - FAIR VALUE MEASUREMENT:

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability.

As of December 31, 2024	Level 1	Level 2	Level 3	Total
	US\$ in thousands			
Liabilities				
Derivative financial liabilities	—	-	1,381	1,381
Tradable warrants	3	-	-	3
Total	3	-	1,381	1,384

As of December 31, 2023	Level 1	Level 2	Level 3	Total
	US\$ in thousands			
Liabilities				
Derivative financial liabilities	-	-	1,707	1,707
Tradable warrants	2	-	-	2
Total	2	-	1,707	1,709

NOTE 28 - SUBSEQUENT EVENTS:

Since the reporting date the following significant events have occurred:

1. On December 30 and 31, 2024, some of the option warrant A holders as part of the September 11, 2024 Aegis transaction submitted an exercise instruction to convert the option warrants into shares, in exchange for an exercise addition of \$1,510, which was transferred to the Company's bank account only on January 2, 2025. The company had no technical ability to withdraw from its obligation to issue the shares once the exercise notice was received from the warrant holders and recorded the proceeds towards Other Current assets.
2. After balance sheet date and until the date of the authorization of these financial statements the Company repaid \$250 of the Bridge Loans and \$185 of the Promissory Note.
3. On February 21, 2025, the Company filed a "shelf" registration statement on Form F-3 with the U.S. Securities and Exchange Commission, registering for sale from time to time, up to \$45,000 of any combination of the securities described in the Form F-3, either individually or in units. The Company may also offer ordinary shares or preferred shares upon conversion of debt securities, ordinary shares upon conversion of preferred shares, or ordinary shares, preferred shares or debt securities upon the exercise of warrants or rights.
4. On February 24, 2025, the Company amended its 2022 Incentive Equity Plan (the "Incentive Plan"), to increase the number of authorized Ordinary Shares under the Incentive Plan to 2,396,668 from 111,668 (the "Amendment"). As a Foreign Private Issuer, Nasdaq Rule 5615(a)(3) allows the Company to rely on home country corporate governance practices in lieu of certain of the rules in the Nasdaq Rule 5600 Series and Rule 5250(d) and, accordingly, the Company so elected to approve the Amendment without stockholder approval. Thereafter, the Company granted an aggregate of 1,215,000 restricted stock units and 1,070,000 stock options to its executive officers and directors, and to certain consultants and advisors to the Company.
5. On March 17, 2025, the Company amended its 2022 Incentive Equity Plan (the "Incentive Plan"), to increase the number of authorized Ordinary Shares under the Incentive Plan to 2,531,668 from 2,396,668 (the "Amendment"). As a Foreign Private Issuer, Nasdaq Rule 5615(a)(3) allows the Company to rely on home country corporate governance practices in lieu of certain of the rules in the Nasdaq Rule 5600 Series and Rule 5250(d) and, accordingly, the Company so elected to approve the Amendment without stockholder approval. Thereafter, the Company granted 135,000 half immediately and half vested on June 1, 2025, stock options to certain consultants and advisors to the Company.

NOTE 28 - SUBSEQUENT EVENTS (CONT.):

6. On March 26, 2025, the Company established a fully owned entity incorporated in Dubai Multi Commodities Centre Authority, United Arab Emirates with the name and style of "SMX Circular Economy FZCO".
7. On March 28, 2025, the Company entered into a Securities Purchase Agreement to issue and sold to 1800 Diagonal a promissory note, for gross proceeds to the Company of \$295.5, before deducting fees and other offering expenses payable by the Company. The promissory note is in the principal amount of \$257, which includes an original issue discount of \$38.5. A one-time interest charge of 12%, in the amount of \$30.8 was applied to the principal. The maturity date of the promissory note is March 30, 2026. The accrued, unpaid interest and outstanding principal, subject to adjustment, shall be paid in five payments as follows: (1) on September 30, 2025, \$163; (2) on October 30, 2025, \$27.2; (3) on November 30, 2025, \$27.2; (4) on December 30, 2025, \$27.2; (5) on January 30, 2026, \$27.2; (5) on February 28, 2026, \$27.2, and (5) on March 30, 2026, \$27.2. Through September 30, 2025, the Company may prepay the promissory note in full at a 2% discount. The promissory note contains customary Events of Default for transactions similar to the transactions contemplated by the Purchase Agreement and the Note. In the event of an Event of Default, (i) the promissory note shall become immediately due and payable, (ii) the principal and interest balance of the Note shall be increased by 150% and (ii) the promissory note may be converted into Ordinary Shares of the Company at the sole discretion of the Investor. The conversion price shall equal the lowest closing bid price of the Ordinary Shares during the prior ten trading day period multiplied by 75% (representing a 25% discount). Any such conversion is subject to customary conversion limitations set forth in the promissory note so the investor beneficially owns less than 4.99% of the Company's Ordinary Shares. The investor shall be entitled to deduct \$1.5 from the conversion amount in each Notice of Conversion to cover Holder's deposit fees associated with each Notice of Conversion. The Purchase Agreement contains customary representations and warranties made by each of the Company and the investor. The Company is subject to customary indemnification terms in favor of the Investor and its affiliates and certain other parties. The Company paid legal and due diligence fees in the amount of \$7.0 in relation to the transactions contemplated by the Purchase Agreement.
8. On May 2, 2025, the Company's shareholders approved the subdivision of its ordinary shares into 1 ordinary share of \$0.000000000000001 par value with the same rights as each current ordinary share, and 470,250,014,886,351 new deferred shares of US\$0.000000000000001 par value with the following rights: (i) each new deferred share shall not entitle the holder thereof to receive notice, attend or vote at general meetings of the Company; (ii) each New Deferred Share shall not entitle the holder thereof to participate in any dividends declared or paid by the Company; and (iii) on a return of capital on a winding up or otherwise, each New Deferred Share shall entitle the holder thereof to receive an amount of US\$0.000000000000001 on each deferred share after an amount of \$1,000,000,000 has been paid in respect of each ordinary share.
9. After the balance sheet date and until May 6, 2025, the Company issued to Alpha all agreed Ordinary Shares as follows: an aggregate of 972,248 Ordinary Shares upon conversions of the Alpha April Note, and thereafter issued 408,551 additional Ordinary Shares under the Alpha April Note pursuant to a settlement agreement dated April 2, 2025, with Alpha. Further, the Company issued an aggregate of 543,644 Ordinary Shares to Alpha pursuant to conversion in full of the Alpha July Note. See also notes 8.C, 8.D and 8.F.
10. On May 9, 2025, the Company informed Alpha of the termination of the SPA (See note 10)
11. On May 8, 2025, the Company entered into Securities Purchase Agreements for the issuance of convertible promissory note to an institutional investor, RBW Capital Markets LLC (the "RBW"), as follows: Unsecured note in the principal amount of \$6,875, and purchase price (cash in) amount of \$5,500, before transaction cost for legal and agents fees in the amount of \$855. The RBW note carries an original issue discount (OID) of 20%, bears 0% interest per year. RBW has the right to convert the outstanding principal into Company Ordinary Shares at a 15% discount based on the lowest daily weighted average price during the 7 trading days before immediately prior to the date of the conversion. As of the date of this report, the Company was funded with \$1,375.
12. On May 13, 2025 and effective March 31, 2025, the Company entered into an Amendment #2 to Promissory Note ("Second Amendment") and an Amendment #2 to Senior Note ("Senior Note Second Amendment") with PMB. The Second Amendment and the Senior Note Second Amendment amended the maturity date of the Senior Promissory Notes to November 30, 2025 and amended the interest rates of the Senior Promissory Notes to 18% per annum. In addition, all accrued and unpaid interest was capitalized and added to the principal of the applicable Senior Promissory Note.