

# Prospectus

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## Structural Monitoring Systems Plc UK Company No. 4834265

### Entitlement Offer

This Prospectus is being issued for a pro rata non-renounceable entitlement issue of approximately 10,230,953 CDIs at an issue price of \$0.90 per CDI to Eligible CDI Holders on the basis of one New CDI for every 12 CDIs held as at the Record Date to raise up to approximately \$9.2 million before costs (**Entitlement Offer**). The Entitlement Offer closes at 2.00 pm (AWST) on 30 March 2022. Valid Applications must be received before that time.

Eligible CDI Holders may also apply for New CDIs in excess of their Entitlement under the Shortfall Offer.

Applicants will also receive one free Attaching Option for every two New CDIs applied for and issued, with an Exercise Price of \$1.20 and an Expiry Date of 6 April 2024.

Mac Equity Partners Pty Ltd (AFSL 338731) may place any shortfall of the Entitlement Offer on a best endeavours basis.

### Cleansing Offer

This Prospectus also contains a cleansing offer of ten (10) CDIs to be issued for nil consideration for the purpose of section 708A(11) of the *Corporations Act 2001* (Cth) to remove any secondary trading restrictions on the on-sale of the November 2021 CDIs, as well as any CDIs that are not subscribed for under the Entitlement Offer but which are subsequently issued by the Company to investors under section 708 of the *Corporations Act* following the close of the Offers.

### Important Information

This Prospectus is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The securities offered by this Prospectus should be considered as speculative.

This is a transaction specific prospectus issued in accordance with section 713 of the *Corporations Act 2001* (Cth).

**Not for distribution in the USA or to USA Persons (except by the Company to institutional investors).**



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## Important Information

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### Prospectus

This Prospectus relates to the offer of CDIs and Options by Structural Monitoring Systems Plc (UK Company No. 4834265) ("**SMN**" or "**Company**") under the Entitlement Offer.

This Prospectus is dated 10 March 2022. A copy of this Prospectus was lodged with ASIC on 10 March 2022. ASIC and ASX take no responsibility for the contents of this Prospectus. No Securities will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

A copy of this Prospectus can be downloaded from our website at [www.smsystems.com.au](http://www.smsystems.com.au). If you access the electronic version of this Prospectus you should ensure that you download and read the entire Prospectus. The electronic version of this Prospectus is only available to Australian residents.

The Company will also provide copies of other documents on request (see Section 8.2).

The Company will apply to ASX within 7 days of the date of this Prospectus for Official Quotation by ASX of the CDIs offered by this Prospectus. The Company will not apply to ASX for Official Quotation by ASX of the Options offered by this Prospectus.

Applications for Securities will only be accepted on an Entitlement and Acceptance Form, which is attached to, or provided by the Company with a copy of this Prospectus. The Corporations Act prohibits any person from passing on to another person an Entitlement and Acceptance Form unless it is accompanied by a complete and unaltered copy of this Prospectus.

The Company is a disclosing entity listed on the ASX and this Prospectus is issued under section 713 of the *Corporations Act 2001* (Cth) in reliance on information previously disclosed to the ASX by the Company. It does not contain, by itself, all information that would be contained in a prospectus for an initial public offering or all information relevant to a decision to invest in the Company.

In accordance with the design and distribution obligations under the Corporations Act, the Company has determined the target market for the offer of Attaching Options issued under this Prospectus. The Company will only distribute this Prospectus to those investors who fall within the target market determination (**TMD**) as set out on the Company's website ([www.smsystems.com.au](http://www.smsystems.com.au)). By making an application under the Offers, you warrant that you have read and understood the TMD and that you fall within the target market set out in the TMD.

### No representation other than in this Prospectus

No person is authorised to give any information or to make any representation in connection with the Entitlement Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Entitlement Offer.

### Nominees and custodians

The Company is not required to determine whether or not any registered holder or investor is acting as a nominee or custodian or the identity or residence of any beneficial owners of existing Shares, CDIs, Securities or Entitlements. Where any person is acting as a nominee or custodian for a foreign person, that person, in dealing with its beneficiary will need to assess whether the distribution of any documents relating to the Entitlement Offer (including this Prospectus) or the indirect participation by the beneficiary complies with applicable foreign laws.

### Restrictions on Foreign Jurisdictions

No action has been taken to permit the Entitlement Offer of Securities under this Prospectus in any jurisdiction other than Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this Prospectus comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

### Prospectus does not contain investment advice

This Prospectus is important and should be read in its entirety before deciding to participate in the Entitlement Offer. This does not take into account the investment objectives, financial or taxation or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to his/her particular needs, and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Applicant should consult his/her stockbroker, solicitor, accountant or other professional adviser without delay. The Securities offered by this Prospectus should be considered speculative.

### Information for US Investors

This document is not for publication or distribution, directly or indirectly, in or into the United States of America (including its territories and possessions, any state of the US and the District of Columbia), except by the Company to institutional investors. This document is not an offer of securities for sale into the United States or to, or for the account or benefit of, US Persons. The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons. No public offering of securities is being made in the United States.

### **Information for Canadian Investors**

This Prospectus constitutes an offering of the Securities in the Canadian province of British Columbia (**Province**) where existing CDI Holders of the Company are resident. This Prospectus is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Province.

No securities commission or other authority in the Province has reviewed or in any way passed upon this Prospectus, the merits of the Securities and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Province with respect to the offering of Securities or the resale of such securities. Any person in the Province lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province.

Any resale of the Securities in Canada must be made in accordance with applicable Canadian securities laws, which may require resales to be made in accordance with an exemption from prospectus requirements. Such resale restrictions do not apply to a first trade in a security (such as New CDIs) of a foreign issuer (such as the Company) that is not a reporting issuer in Canada and that is made through an exchange or market outside of Canada (such as ASX).

The Company as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

### **Information for New Zealand Investors**

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (**FMC Act**). The Securities are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- (a) is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- (b) meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- (c) is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- (d) is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- (e) is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

### **Risk factors**

Potential investors should be aware that subscribing for Securities involves a number of risks. The key risk factors which investors should be aware are set out in Section 7 of this Prospectus. These risks, together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Securities.

By returning an Entitlement and Acceptance Form, you acknowledge that you have received and read this Prospectus and you have acted in accordance with the terms of the Entitlement Offer detailed in this Prospectus.

### **Financial information and forward looking statements**

Section 5 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information.

Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding. This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. Any forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Forward looking statements should be read in conjunction with risk factors as set out in Section 7, and other information in this Prospectus.

### **Defined words and expressions**

Definitions of certain terms used in this Prospectus are contained in Section 9. All references to currency are to Australian dollars and all references to time are to AWST, unless otherwise indicated.

## 1. Corporate directory

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### Directors

Mr. Will Rouse, Executive Chairman,  
Director

Mr. Stephen Forman, Non-Executive  
Director

Mr. Bryant Mclarty, Non-Executive Director

Mr. Sam Wright, Non-Executive Director

*Incoming Director*

Mr. Rick Deurloo, Non-Executive Director  
(effective 1 April 2022)

### Corporate Office

Suite 116, 1 Kyle Way  
Claremont WA 6010  
Tel: +61 8616 7412  
Email: [sms@systems.com.au](mailto:sms@systems.com.au)

### Registered Office

The Old Court, 8 Tufton Street  
Ashford  
Kent TN23 1PF  
United Kingdom

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### Company Secretary

Mr Sam Wright

### Australian Legal Adviser

Gadens  
Level 13, Collins Arch  
447 Collins Street  
Melbourne VIC 3000

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### Share Registry

Computershare Investor Services Pty  
Limited  
Level 11, 172 St Georges Terrace  
Perth WA 6000

### ASX Code

SMN

[www.investorcentre.com/contact](http://www.investorcentre.com/contact)

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## 2. Indicative Timetable

The indicative timetable for the Offers is as follows:

<b>EVENT</b>	<b>DATE</b>
Announcement of Entitlement Offer and lodgement of Appendix 3B with ASX	Thursday, 10 March 2022
Lodgement of Prospectus	Thursday, 10 March 2022
Notice of Entitlement Offer sent to Ineligible CDI Holders	Friday, 11 March 2022
Ex date (i.e. date from which CDIs trade without entitlements to participate in the Entitlement Offer)	Tuesday, 15 March 2022
Record Date	4.00pm (AWST) Wednesday, 16 March 2022
Prospectus and personalised Entitlement and Acceptance Form despatched to Eligible CDI Holders and announcement of such occurrence	Monday, 21 March 2022
Entitlement Offer, Shortfall Offer and Cleansing Offer Opening Date	Monday, 21 March 2022
Last day to extend Entitlement Offer Closing Date	Friday, 25 March 2022
Entitlement Offer and Shortfall Offer Closing Date	2.00pm (AWST) Wednesday, 30 March 2022
New CDIs quoted on a deferred settlement basis	Thursday, 31 March 2022
Announcement of results of the Entitlement Offer and Shortfall Offer	By noon, Friday, 1 April 2022
Allotment of New CDIs and Attaching Options and lodgement of Appendix 2A with ASX and deferred settlement trading of CDIs to end at market close	Wednesday, 6 April 2022
Cleansing Offer Closing Date	Tuesday, 28 June 2022

\*Subject to the Corporations Act and ASX Listing Rules, the Company reserves the right to vary these times and dates (other than in respect of events that have already occurred) in its absolute discretion by sending a revised timetable to ASX. All times are references to time in Perth, Western Australia.

The Directors, subject to the requirements of the ASX Listing Rules and the Corporations Act, reserve the right to:

- (a) withdraw the Offers without prior notice; or
- (b) vary any of the key dates set out in this Prospectus, including extending or closing the Entitlement Offer.

### 3. Letter from the Chairman

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Dear CDI Holder,

On behalf of the Board of Structural Monitoring Systems Plc (UK Company No. 4834265) (**SMN** or the **Company**), I invite you to participate in the Company's non-renounceable pro-rata entitlement issue of one New CDI for every 12 CDIs held at the Record Date of 4.00pm (AWST) on 16 March 2022, at an Issue Price of \$0.90 per New CDI (**Entitlement Offer**).

The Company has now obtained Supplemental Type Certificate (**STC**) approval from the US Federal Aviation Administration (**FAA**), in relation to the Company's CVM sensory technology. As such, the funds raised from the Entitlement Offer are important and will be applied for various purposes including working capital for the Company. \$3.5 million of the funds raised will be used for AEM (debt reduction, capex requirements, working capital) and the remaining \$5.7 million for CVM commercialisation over the next 2-3 years, repayment of Director's loans, costs of the offer and general working capital.

The Entitlement Offer is summarised as follows:

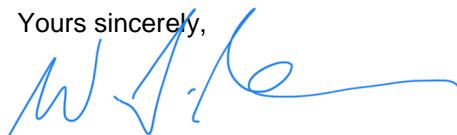
- Australia, New Zealand and British Columbia, Canada residents and such other persons (elected at the discretion of the Company) holding SMN CDIs may subscribe under their Entitlement for one New CDI for every 12 CDIs held as at the Record Date.
- New CDIs are priced at ninety cents per new CDI and enable existing CDI Holders to participate in the Company's capital raising.
- the Entitlement Offer of approximately 10,230,953 New CDIs may raise up to approximately \$9.2 million (before costs).
- Eligible CDI Holders will also have the right to apply for additional New CDIs in excess of their Entitlement under the Shortfall Offer.

Assuming the Entitlement Offer is fully subscribed, the aggregate gross funds raised will be approximately \$9.2 million.

As a Board, we appreciate the support of our existing CDI Holders and have been mindful of providing existing CDI Holders with the opportunity to maintain their investment in the Company.

We look forward to your participation in the Entitlement Offer.

Yours sincerely,



**Will Rouse**

**Executive Chairman**

## 4. Details of the Entitlement Offer

### 4.1 The Entitlement Offer

Pursuant to this Prospectus the Company is offering a pro-rata non-renounceable entitlement issue of one New CDI for every 12 CDIs held by Eligible CDI Holders registered at the Record Date at an Issue Price of \$0.90 (90 cents) per CDI (**Entitlement Offer**).

The Entitlement Offer is non-renounceable and therefore Eligible CDI Holders cannot offer to sell or transfer any of their Entitlement on ASX or via an off-market transfer (or any other exchange or privately transferred). Where an Eligible CDI Holder does not take up their Entitlement under a non-renounceable entitlement offer, their holding will be diluted with no compensating cash payment. New CDIs not subscribed for by Eligible CDI Holders under the Entitlement Offer will be offered to new investors and existing CDI Holders under this Prospectus by way of the Shortfall Offer (see Section 4.8 below for details).

All of the CDIs offered under this Prospectus will rank equally with the CDIs on issue at the date of this Prospectus. The Company is not required to determine whether or not any registered holder or investor is acting as a nominee or custodian or the identity or residence of any beneficial owners of existing Shares, CDIs or Entitlements. Please refer to Section 6 for a summary of the rights and liabilities attaching to the CDIs.

The Company will also be issuing one free Attaching Option for every two New CDIs applied for, with an Exercise Price of \$1.20 and an Expiry Date of 6 April 2024 (see Section 6.3 below for the terms of the Attaching Options). No funds will be raised from the issue of the Attaching Options.

As at the date of this Prospectus, the Company has 122,771,431 CDIs and 430,608 Performance Rights on issue. Assuming all Entitlements are accepted, a maximum of 10,230,953 CDIs may be issued pursuant to the Entitlement Offer, increasing the CDIs on issue from 122,771,431 to 133,002,384 CDIs. Assuming the Entitlement Offer is Fully Subscribed then the Company will raise approximately \$9.2 million under the Entitlement Offer before costs. In addition, assuming all Entitlements are accepted, a total of 5,115,476 Attaching Options will be issued pursuant to the Entitlement Offer, increasing the number of Options from nil to 5,115,476 Options.

### 4.2 Purpose of the Entitlement Offer

The purpose of the Entitlement Offer is to raise up to approximately \$9.2 million (assuming full subscription based on the total number of CDIs on issue as at the date of this Prospectus and no other CDIs are issued prior to the Record Date).

The funds raised from the Entitlement Offer are planned to be used in accordance with the table set out below.

<b>Proceeds of the Entitlement Offer</b>	<b>Full subscription (\$)</b>	<b>%</b>
AEM (debt reduction, capex requirements, working capital)	\$3,500,000	38.0%
CVM commercialisation <sup>1</sup>	\$3,900,000	42.4%
Repayment / Offset of Directors' loans	\$1,300,000	14.1%
Expenses of the Offers <sup>2</sup>	\$80,000	0.9%
General working capital	\$420,000	4.6%
<b>Total</b>	<b>\$9,200,000</b>	<b>100%</b>



Notes:

1. *The Company obtained approval from the US FAA in relation to the Company's CVM sensor technology on the B737-800 Intelsat (Gogo) Wi-Fi antenna support structure inspection. . For further details, please refer to the Company's announcement dated 7 March 2022.*
2. *Refer to Section 8.12 of this Prospectus for further details relating to the estimated expenses of the Offers.*

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied.

Given that the Offers are not underwritten, there is no guarantee that the Company will receive the full amounts from the Entitlement Offer. The Company notes that there is no minimum raise condition applicable to the Offers. In the event that the Company does not receive the full amounts under the Offers, the Directors will allocate the monies received to each of the expenditure categories listed above; however, the allocation policy may be different from that specified in the table above.

#### **4.3 Opening and Closing Dates**

The Company will accept Entitlement and Acceptance Forms until 2.00pm AWST on the Entitlement Offer Closing Date, being 30 March 2022, or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules.

Please note that payment made via BPAY®<sup>1</sup> must be made by no later than 2.00pm AWST on the Entitlement Offer Closing Date, or such earlier cut off time that your own financial institution may implement with regards to electronic payments. It is the responsibility of each Eligible CDI Holders to ensure that its BPAY payment is received by the Company before 2.00pm AWST on the Entitlement Offer Closing Date.

#### **4.4 Minimum subscription amount**

There is no minimum amount sought to be raised by the Entitlement Offer. This Prospectus is also an offer to issue Shortfall Securities under the Shortfall Offer. Please refer to Section 4.8 for further information and details of the Shortfall Offer.

#### **4.5 Underwriting**

The Entitlement Offer is not underwritten. However, Mac Equity Partners Pty Ltd (AFSL 338731) has been appointed as the lead manager for the Shortfall Offer. Refer to Section 8.6 below for details of the lead manager appointment.

#### **4.6 Application for New CDIs**

Your Entitlement is shown on the Entitlement and Acceptance Form accompanying the Prospectus sent to you.

You may take up your Entitlement in whole, in excess or in part or allow all of your Entitlement to lapse.

You may pay by BPAY® in accordance with the instructions on the Entitlement and Acceptance Form. Please make sure you use the specific Biller Code and your unique Customer Reference Number (**CRN**) as displayed on your personalised Entitlement and Acceptance Form. If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when taking up your Entitlement in respect

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<sup>1</sup> ® Registered to BPAY Pty Ltd ABN 69 079 137 518

of one of those holdings only use the CRN specific to that holding. If you do not use the correct CRN specific to that holding your Application will not be recognised as valid.

Given COVID-19 and resultant delays, payments in cash or cheque will not be accepted.

We must receive your payment by the Entitlement Offer Closing Date. If we receive your payment after the Entitlement Offer Closing Date, we may, at our discretion, accept or reject your Application. If we reject your Application, you will receive a refund in full of any payment of Application Money without interest.

It is your responsibility to ensure that your BPAY payment is received by the Share Registry by no later than 2.00pm AWST on the Entitlement Offer Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration in the timing of when you make payment.

If you make a payment, you will be deemed to have accepted the Entitlement Offer to subscribe, on the terms set out in this Prospectus and in the Entitlement and Acceptance Form, for the number of New CDIs represented by the payment.

We will hold your Application Money on trust until we issue the Securities in accordance with the Corporations Act. We will retain any interest earned on the Application Money, whether or not the Securities are issued to you.

**If you are in any doubt as to how to complete or deal with your Entitlement and Acceptance Form, you should contact your professional adviser for assistance.**

#### **4.7 Issue of Securities**

The CDIs and Attaching Options issued pursuant to the Entitlement Offer will be issued as soon as practicable after the Entitlement Offer Closing Date. We will issue the Securities on the basis of your Entitlement.

CDI Holder statements will be dispatched as soon as possible after the issue of the Securities.

It is the responsibility of Applicants to determine their allocation prior to trading in the CDIs. Applicants who sell CDIs before they receive their holding statements will do so at their own risk.

#### **4.8 Shortfall – applications for Shortfall Securities (Shortfall Offer)**

Any Entitlement not accepted by Eligible CDI Holders under their Entitlement Offer will form the Shortfall Offer (**Shortfall Securities**). The issue price for each CDI to be issued under the Shortfall Offer shall be \$0.90 (90 cents) while the Attaching Options will be issued for nil consideration on the basis of one (1) Attaching Option for every one (1) CDI issued under the Shortfall Offer, in each case, being the price at which CDIs and Attaching Options have been offered under the Entitlement Offer.

Any Shortfall Securities not subscribed for by Eligible CDI Holders under the Entitlement Offer may be placed at the discretion of the Directors. In order for any placement of the Shortfall Shares to be exempt from the application of ASX Listing Rule 7.1, Exception 3 to ASX Listing Rule 7.2 requires that the Company must make any placement of the Shortfall Securities within three (3) months after the close of the Entitlement Offer at an issue price that is not less than the Issue Price. The Directors of the Company, therefore, reserve the right to issue any or all of the Shortfall Securities at their discretion on this basis.

Details of the dates on which the Shortfall Offer opens and closes are set in the Indicative Timetable on page 4.

Eligible CDI Holders who wish to subscribe for Securities in excess of their Entitlement are invited to apply for Shortfall Securities under the Shortfall Offer by completing the appropriate section on their Entitlement and Acceptance Form and making payment for such Shortfall Securities in accordance with Section 4.6.

The Lead Manager (in consultation with the Directors) will allocate the Shortfall Securities pursuant to the Shortfall Offer with a view to:

- (a) recognising the ongoing support of existing CDI Holders of the Company;
- (b) identifying new potential long-term or cornerstone investors; and
- (c) ensuring an appropriate CDI Holder base for the Company.

#### **4.9 Cleansing Offer**

This Prospectus also contains a cleansing offer of ten (10) CDIs to be issued for nil consideration.

In November 2021, the Company issued the following CDIs pursuant to the conversion of Performance Rights:

- 1. 574,717 CDIs on 3 November 2021; and
- 2. 392,929 CDIs on 8 November 2021,

(collectively, the **November 2021 CDIs**). Refer to the Appendix 2A dated 3 November 2021 and 8 November 2021 for further details.

The Cleansing Offer is being undertaken for the purpose of section 708A(11) of the Corporations Act to remove any secondary trading restrictions on the on-sale of:

- 1. the November 2021 CDIs that were issued without disclosure under Part 6D.2 of the Corporations Act; and
- 2. CDIs that are not subscribed for under the Entitlement Offer but which are subsequently issued by the Company to investors under section 708 of the Corporations Act following the close of the Offers.

Participation in the Cleansing Offer is by invitation only, and application for the CDIs under the Cleansing Offer must be made using the cleansing offer application form. You should not complete a cleansing offer application form unless specifically directed to do so by the Company.

Application for Official Quotation of the ten CDIs offered under the Cleansing Offer will be made within seven (7) days of the date of this Prospectus.

#### **4.10 Fractional entitlements**

Fractional entitlements will be rounded up to the nearest whole number. All references to numbers of Securities to be issued pursuant to this Prospectus are expressed subject to rounding.

#### **4.11 ASX quotation**

##### **(a) New CDIs**

Application will be made to ASX no later than 7 days after the date of this Prospectus for the Official Quotation of the New CDIs offered under the Entitlement Offer and Shortfall Offer. If permission is not granted by ASX for the Official Quotation of the

CDIs offered by this Prospectus within 3 months after the date of this Prospectus (or such period as ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

The fact that ASX may grant Official Quotation to the CDIs is not to be taken in any way as an indication of the merits of the Company or the CDIs now offered for subscription.

(b) **Attaching Options**

The Company does not intend to apply to the ASX for Official Quotation of the Attaching Options.

The Company will apply to the ASX for, and will use its best endeavours to obtain, quotation of all CDIs issued on the exercise of any Attaching Options within 10 Business Days (as defined in the Listing Rules) of issue. The Company gives no assurance that such quotation will be granted.

#### **4.12 CHES and Securities**

The Company participates in the Clearing House Electronic Subregister System, known as CHES.

Under CHES, Applicants will not receive a certificate but will receive a statement of their holding of CDIs and Options. If you are broker sponsored, ASX will send you a CHES statement.

The CHES statement will set out the number of CDIs and Options issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the CDIs and Options.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by Computershare Investor Services Pty Limited and will contain the number of CDIs and Options issued to you under this Prospectus and your security holder reference number.

A CHES statement or Issuer Sponsored holding statement will routinely be sent to CDI Holders at the end of any calendar month during which the balance of their Security holding changes. CDI Holders may request a statement at any other time, however, a charge may be made for additional statements.

#### **4.13 Residents outside Australia**

This Prospectus, and the accompanying Entitlement and Acceptance Form, do not, and are not intended to, constitute an offer of Securities in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus or the Securities. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

#### **4.14 Risk factors**

An investment in CDIs and/or Options should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are set out in Section 7.

#### **4.15 Taxation implications**

Eligible CDI Holders should be aware that there may be taxation implications associated with taking up their Entitlements and applying for Securities.

The Directors do not consider it appropriate to give CDI Holders advice regarding the taxation consequences of subscribing for CDIs under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to CDI Holders. As a result, CDI Holders should consult their professional tax adviser in connection with subscribing for Securities under this Prospectus.

#### **4.16 Major activities and financial information**

A summary of the major activities and financial information relating to the Company for the financial year ended 30 June 2021 is in the Annual Report that was lodged with ASX on 1 October 2021 and is available on the Company's website at <https://www.smsystems.com.au/investor-centre/>.

The Company's Half-year Financial Report for the period ended 31 December 2021 that was lodged with ASX on 28 February 2022 is also available on the Company's website.

The Company's continuous disclosure notices (i.e. ASX announcements) since the date of lodgement of the Company's latest full year statutory accounts and before lodgement of this Prospectus with ASIC are listed in Section 8.2.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that CDI Holders review these and all other announcements prior to deciding whether or not to participate in the Entitlement Offer.

#### **4.17 Enquiries concerning Prospectus**

Enquiries relating to this Prospectus should be directed to Computershare Investor Services Pty Limited on 1300 850 505 or + 61 3 9415 4000 from 9.00am to 5.00pm (AWST), Monday to Friday.

#### **4.18 Privacy**

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share registry, the Company's related bodies corporate, agents, contractors and third-party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application. An Applicant has an entitlement to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

## 5. Effect of the Offers

### 5.1 Effect on capital structure

As at the date of this Prospectus, the Company has 122,771,431 CDIs and 430,608 Performance Rights on issue.

The table below shows the effect of the Offers after completion (assuming the Entitlement Offer is Fully Subscribed):

	Number	% of Total Securities <sup>2</sup>
<b>CDIs</b>		
<b>CDI balance as at the date of Prospectus</b>	<b>122,771,431</b>	<b>99.65%<sup>1</sup></b>
CDIs to be issued under Entitlement Offer	10,230,953	7.38%
CDIs to be issued under Cleansing Offer <sup>1</sup>	10	0.00%
CDIs to be issued under the Lead Manager Agreement (at the Company's discretion)	11,111	0.01%
<b>CDI Balance after the Offers</b>	<b>133,013,505</b>	<b>96.00%</b>
<b>Performance Rights</b>		
<b>Performance Rights balance at the date of Prospectus</b>	<b>430,608</b>	<b>0.35%<sup>1</sup></b>
Performance Rights to be issued	Nil	0.00%
<b>Performance Rights balance after the Offers</b>	<b>430,608</b>	<b>0.31%</b>
<b>Options</b>		
<b>Options balance as at date of Prospectus</b>	<b>Nil</b>	<b>0.00%<sup>1</sup></b>
Attaching Options to be issued under the Entitlement Offer	5,115,476	3.69%
<b>Options Balance after the Offers</b>	<b>5,115,476</b>	<b>3.69%</b>
<b>Total Securities after the Offers<sup>2</sup></b>	<b>138,559,589</b>	<b>100.00%</b>

Notes:

1. Calculated as at date of Prospectus.
2. For illustrative purposes, the calculation of total securities includes Shares and CDIs, and Options and Performances Rights (as converted on a one-for-one basis) after completion of the Offers, unless otherwise indicated.

The percentages are calculated assuming that there are full subscriptions under the Offers.

## 5.2 Effect on substantial holders

The Company's substantial holders and their respective interests in the Company as at the date of this Prospectus (as disclosed by the relevant substantial holder to the ASX) (**Substantial Holders**) and the effect on their holdings after completion of the Entitlement Offer are set out in the table below (assuming full subscription under the Entitlement Offer).

The Company notes that it is incorporated in the United Kingdom and is not subject to Australian takeover provisions in the Corporations Act (see Section 6.2(j) below for further details).

Substantial Holder	Number	% of Total Securities <sup>3</sup>	% Voting Power <sup>4</sup>
<b>Drake Special Situations LLC</b>			
CDIs as at date of Prospectus	23,862,500	19.37% <sup>1</sup>	19.44% <sup>1</sup>
CDIs post Offers	25,851,042 <sup>2</sup>	18.66%	19.43%
Options as at date of Prospectus	Nil	0% <sup>1</sup>	0%
Options post Entitlement Offer	994,271	0.68%	0%
<b>Total Securities post Offers</b>	<b>26,845,313<sup>2</sup></b>	<b>19.37%</b>	<b>19.43%</b>

Notes:

1. Percentage calculated as at date of Prospectus.
2. This assumes that (a) Drake Special Situations LLC subscribes for its full Entitlement under the Entitlement Offer and (b) the Entitlement Offer is fully subscribed for.
3. For illustrative purposes, total securities includes Shares, CDIs, Options and Performance Rights.
4. Excludes Options and Performance Rights which do not have voting rights.

For illustrative purposes of the voting power, the table below shows the effect on the holdings of the Substantial Holder after completion of the Offers, assuming the Substantial Holder subscribes for its full entitlement and no other Eligible CDI Holders participate in any of the Offers:

Substantial Holder	Number of CDIs	% of Voting Power <sup>1</sup>
<b>Drake Special Situations LLC</b>		
CDIs as at date of Prospectus	23,862,500	19.44% <sup>2</sup>
<b>CDIs post Offers (assuming Substantial Holders takes up all Entitlement under Entitlement Offer and no other Eligible CDI Holder participates in any of the Offers)</b>	<b>25,851,042</b>	<b>20.72%</b>

Substantial Holder	Number of CDIs	% of Voting Power <sup>1</sup>
CDIs post Offers (assuming no other Eligible CDI Holders subscribes for securities under the Offers, and the Substantial Holder takes up all of its Entitlements and all securities under the Shortfall Offer)	34,093,463	25.63%

Notes:

1. Voting power is calculated based on CDIs (before and after the Offers), excluding Options and Performance Rights which do not have voting rights.
2. Percentage calculated as at date of Prospectus.

The possible effect that the issue of New CDIs under the Entitlement Offer will have on control and voting power in the Company are as follows:

- if all Eligible CDI Holders take up their Entitlements under the Entitlement Offer (and assuming oversubscriptions pursuant to the Shortfall Offer do not occur), then the issue of CDIs under the Entitlement Offer will have no significant effect on the control of the Company and all CDI Holders will hold the same percentage interest in the Company, subject only to changes resulting from Ineligible CDI Holders being unable to participate in the Entitlement Offer;
- if some Eligible CDI Holders do not take up all of their Entitlement under the Entitlement Offer, the CDI holdings of Eligible CDI Holders who do not subscribe for their full Entitlement of CDIs under the Entitlement Offer and Ineligible CDI Holders who are unable to participate in the Entitlement Offer will be diluted relative to those CDI Holders who subscribe for some, all of their Entitlement or in excess of their Entitlement;
- the proportional interest of Ineligible CDI Holders will be diluted because those Ineligible CDI Holders are not entitled to participate in the Entitlement Offer; and
- if no Eligible CDI Holders other than the Directors take up their Entitlements under the Entitlement Offer and the Company issues the Shortfall under the Shortfall Offer, to only a limited number of investors, this may potentially result in a new investor having a substantial interest in the Company.

There will be no change to any CDI Holder's voting power as a direct result of the issue of the Attaching Options. Where CDIs are issued pursuant to the exercise of Attaching Options, the voting power of the CDI Holders who exercise the Attaching Options will increase. The likelihood of the Attaching Options being exercised is dependent on the price of the CDI's from time to time until the Attaching Options expire. There will be no immediate change to any CDI Holder's voting power

Assuming the Entitlement Offer is Fully Subscribed and there are no oversubscriptions pursuant to the Shortfall Offer, there is not expected to have any material effect on the control of the Company.

The Company will only issue Securities pursuant to an Application where the Directors are satisfied, in their discretion, that the issue of the New CDIs will not result in a breach of the UK Companies Act 2006 (by the Applicant, the Company or otherwise) or other applicable law would require shareholder or regulatory approval to be obtained.



### 5.3 Financial Effect of the Offers

After paying for the expenses of the Offers of approximately \$80,000, there will be approximately \$9,120,000 net proceeds from the Offers (assuming full subscription). The expenses of the Offers (refer to Section 8.12) will be met from the proceeds from the Entitlement Offer. The Entitlement Offer will have an effect on the Company's financial position, being receipts of funds of approximately \$9.2 million, respectively, less costs of preparing the Prospectus of approximately \$80,000.

Set out below is the auditor reviewed balance sheet for the Company as at 31 December 2021, as per the Half-year Financial Report for the period ended 31 December 2021 (1 July 2021 to 31 December 2021), and the unaudited and unreviewed pro-forma balance sheet shown below, which have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared on the basis of the following key assumptions (as if they had occurred as at the balance date of 31 December 2021):

- (a) an amount of approximately \$9.2 million (before costs) is successfully raised under the Entitlement Offer; and
- (b) the Company incurs the costs of the Offers referred to in Section 8.12.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

<b>Consolidated statement of financial position</b>				
	<b>Reviewed as at</b>	<b>Pro-forma</b>	<b>Notes</b>	<b>Pro-forma</b>
	<b>31-Dec-21</b>	<b>adjustments</b>		<b>after issue</b>
	\$000'	\$000'		\$000'
<b>Current assets</b>				
Cash and cash equivalents	293	7,924	(1), (2)	8,217
Trade and other receivables	2,367	-		2,367
Inventory	8,441			8,441
Prepayments, other receivables	2,595	-		2,595
<b>Total current assets</b>	<b>13,696</b>	<b>7,924</b>		<b>21,620</b>
<b>Non-current assets</b>				
Property, plant and equipment	690	-		690
Right-of-use assets	1,608	-		1,608
Intangible assets and goodwill	7,681	-		7,681
<b>Total non-current assets</b>	<b>9,979</b>	<b>-</b>		<b>9,979</b>
<b>Total assets</b>	<b>23,675</b>	<b>7,924</b>		<b>31,599</b>
<b>Current liabilities</b>				
Trade and other payables	3,047	(102)	(3)	2,945
Borrowings	1,771	(1,102)	(1), (2)	669
Lease liabilities	164	-		164
<b>Total current liabilities*</b>	<b>4,982</b>	<b>(1,204)</b>		<b>3,778</b>

<b>Consolidated statement of financial position</b>				
	<b>Reviewed as at 31-Dec-21</b>	<b>Pro-forma adjustments</b>	<b>Notes</b>	<b>Pro-forma after issue</b>
<b>Non-current liabilities</b>				
Borrowings	4,090	-		4,090
Lease liabilities	1,398	-		1,398
Deferred tax	477	-		477
<b>Total non-current liabilities</b>	<b>5,965</b>	<b>-</b>		<b>5,965</b>
<b>Total liabilities</b>	<b>10,947</b>	<b>(1,204)</b>		<b>9,743</b>
<b>Total net assets</b>	<b>12,728</b>	<b>6,720</b>		<b>21,856</b>
<b>Equity</b>				
Issued capital	31,949	9		31,958
Share premium account	36,475	9,119		45,594
Reserves	(1,030)	-		(1,030)
Accumulated losses	(54,666)	-		(54,666)
<b>Total equity</b>	<b>12,728</b>	<b>9,128</b>		<b>21,856</b>

Notes:

1. This adjustment assumes full subscription under the Entitlement Offer for an amount of \$9.2 million (before costs). This is offset by the amounts of \$1.3 million.
2. As at the date of this Prospectus, approximately \$1.3 million is payable in loans to Directors. Following completion of the Entitlement Offer, the Company will repay a loan of approximately \$1.1 million to Mr. Stephen Forman. Further, \$200,000 in loans advanced by Directors will be offset against Director's subscription monies payable in connection with their Entitlement. The \$200,000 Director loan was provided following the withdrawal of the Company's February capital raise documents and is not reflected in the Company's accounts as at 31 December 2021.
3. \$101,681.15 was paid to Tulip Bay Pty Ltd subsequent to the balance date, in relation to the arbitration proceedings between the Company and Tulip Bay Pty Ltd. While the Company has a contingent liability of up to \$619,000 payable to Tulip Bay Pty Ltd., the Company notes that the final amount is still to be assessed by the arbitrators and that an agreement or order has not yet been made in connection with Tulip Bay Pty Ltd's costs for the arbitration proceedings. The Company further notes that such provision is not an indication of the Company's acknowledgment and acceptance of such costs and is merely provided for reference purposes. See Section 8.8 below for further details.

## 6. Rights and liabilities attaching to the Securities

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### 6.1 Rights attaching to CDIs

A summary of the key rights attaching to the CDIs is set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of CDI holders. To obtain such a statement, persons should seek independent legal advice.

The ASX Settlement Operating Rules contain provisions designed to ensure that holders of the CDIs have all the direct economic benefits of holdings Shares. With the exception of voting arrangements, CDI Holders have all the same rights as Shareholders whose Shares are registered in their name. For further details on the key differences between CDIs and the underlying Shares of the Company, please see Section 8.5 of this Prospectus.

#### (a) Voting

As holders of CDIs do not appear on the Company's share register, they are not entitled to vote at Shareholder meetings. However, the ASX Settlement Operating Rules require the Company to send notices of Shareholder meetings to each CDI Holder at the address recorded on the CDI register if any Shareholder meeting is convened.

In order to vote at such meetings, CDI Holders have the following options:

- (i) instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; or
- (ii) informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDIs for the purposes of attending and voting at the general meeting; or
- (iii) converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDIs). In order to vote in person, the conversion must be completed prior to the record date for the meeting. See above for further information regarding the conversion process.

As holders of CDIs will not appear on the Company's share register as the legal holders of the Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken.

As each CDI represents one Share, a CDI Holder will be entitled to one vote for every CDI they hold.

Proxy forms, CDI voting instruction forms and details of these alternatives will be included in each notice of meeting sent to CDI Holders by the Company. The notice will provide the CDI holder with information on how to direct CDN to cast proxy votes according to the wishes of the CDI Holder for whom it holds Shares. The Company is obliged to collect and process these directions. CDN is required to vote in accordance with the instructions it receives from CDI Holders.

These voting rights exist only under the ASX Settlement Operating Rules, rather than under the UK Companies Act. Since CDN is the legal holder of the applicable Shares and the holders of CDIs are not themselves the legal holder of their applicable

Shares, the holders of CDIs do not have any directly enforceable rights under the Articles of Association.

(b) **Dividend rights and other entitlements**

Despite legal title to the Shares being vested in CDN, the ASX Settlement Operating Rules provide that CDI holders are to receive all direct economic benefits and other entitlements in relation to the underlying Shares. These include dividends and other entitlements which attach to the underlying Shares. These rights exist only under the ASX Settlement Operating Rules (which have the force of law by virtue of the Corporations Act), rather than under the UK Companies Act.

(c) **Winding Up**

In the event of the Company's liquidation, dissolution or winding up, a CDI Holder will be entitled to the same economic benefit on their CDIs as holders of Shares. These rights exist only under the ASX Settlement Operating Rules, rather than under the UK Companies Act.

(d) **Takeovers**

If any takeover bid is made in respect of any of the Shares, it is expected that corresponding bids are made directly to the CDI holders to acquire their CDIs. CDN is prohibited from accepting the offer made under the takeover bid except to the extent that acceptance is authorised by the CDI Holders in accordance with the ASX Settlement Operating Rules. CDN must accept a takeover offer if a holder of CDIs instructs it to do so in respect of the Shares underlying those CDIs. These rights exist only under the ASX Settlement Operating Rules, rather than under the UK Companies Act.

(e) **Notices and announcements that CDI holders receive**

CDI holders will receive all notices and company announcements (such as annual reports) that Shareholders are entitled to receive from the Company. These rights exist only under the ASX Settlement Operating Rules, rather than under the UK Companies Act.

## 6.2 **Rights attaching to the Shares**

The rights and liabilities attaching to Shares (being the underlying securities to the CDIs) in the Company are:

- (a) set out in the Articles of Association of the Company, a copy of which can be inspected, free of charge, at the registered office of the Company during normal business hours; and
- (b) in certain circumstances, regulated by the UK Companies Act, the ASX Listing Rules and the general law.

The following is a summary of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

(c) **General meetings**

The Board may, whenever it thinks fit, and in accordance with the UK Companies Act convene a general meeting. Notice of every general meeting shall be given to every member of the Company who is, under the Articles of Association, entitled to receive such notices from the Company.

(d) **Voting**

Subject to any special terms as to voting upon which Shares may be issued or may for the time being be held, on a show of hands every member present by person or proxy shall have one vote. On a poll every member who is present by person or proxy shall have one vote for every Share they hold.

Where there are two or more joint holders of a Share and more than one of them is present at a general meeting in person or by proxy and tenders a vote in respect of the Share, the Company will count only the vote cast by, or on behalf of, the member whose name appears first in the Company's register of members.

(e) **Dividends**

The Company may by ordinary resolution declare dividends to be paid out of the profits of the Company available for distribution. No dividend shall be declared in excess of the amount recommended by the Board.

The Board may, provided that in its opinion the profits of the Company justify such payment, pay interim dividends from time to time of such amounts and on such dates and in respect of such periods as it thinks fit.

Except as otherwise provided by the rights attached to the Shares, all dividends shall be declared and paid pro rata according to the amounts paid up on the Shares in respect of which the dividend is declared and paid (divided) during any portion or portions of the period in respect of which the dividend is declared. For these purposes no amounts paid in advance of calls upon the members shall be treated as paid on the Shares.

Any dividend unclaimed for a period of 12 years from the date on which the dividend becomes payable will be forfeited and will revert to the Company.

(f) **Winding Up**

A liquidator may, with the authority of a special resolution of Shareholders, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholder or different classes of Shareholders.

The liquidator can with the sanction of a special resolution of the Company's Shareholders vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but no Shareholder of the Company can be compelled to accept any CDIs or Shares or other property in respect of which there is a liability or potential liability.

(g) **Purchase of own Shares**

Subject to the UK Companies Act, the Company may purchase its own Shares (including any redeemable shares) or enter into such agreement (contingent or otherwise) in relation to the purchase of its own shares on such terms and in such manner as may be permitted by the UK Companies Act.

(h) **Transfer of Shares**

In relation to a transfer of ordinary Shares which are in certificated form:

- (i) such transfers may be effected by transfer in writing in any usual form or in such other form as the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid

share) by or on behalf of the transferee;

- (ii) the Board may refuse to register any transfer of Shares which are not fully paid or Shares on which the Company has a lien or any instrument of transfer in favour of an entity which is not a natural or legal person, or is a minor, a person in respect of whom a receiving order or adjudication order in bankruptcy remains undischarged, a person with mental disorder or where the share is to be held jointly by more than 4 persons; and
- (iii) the Board may not decline to register any instrument of transfer if the instrument of transfer is duly stamped (if required), is in respect of only one class of share and is in favour of not more than 4 joint transferees, provided that to do so is not contrary to the ASX Listing Rules.

(i) **Alteration of Capital**

The Company may by ordinary resolution, consolidate or sub-divide all or any of its shares.

Subject to the UK Companies Act and any other consent required by law, the Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or any share premium account or any other distributable reserves in any manner.

(j) **Takeover Protection**

As the Company is not incorporated in Australia, the takeover protections under the Corporations Act do not apply. Subject to exceptions, the Corporations Act obliges a party to make an offer to acquire the ordinary shares not owned by them where that party's relevant interest in voting shares increases from 20% or below to above 20% or increases from a starting point which is above 20% but less than 90%.

As the Company is not currently managed and controlled within the UK, Channel Islands or Isle of Man, the UK City Code on Takeovers and Mergers (**UK Takeover Code**) does not currently apply to the Company. The UK Takeover Code provides companies with certain protections, in particular if an individual investor or a group of investors acting in concert acquires ordinary shares representing 30% or more of the issued share capital of a company, they will be under an obligation to make an offer to acquire the ordinary shares not owned by them.

It is usual for public limited companies in these circumstances to incorporate equivalent takeover protection in their articles of association. Such provisions provide protection against takeovers by allowing the Board to disenfranchise a shareholder who does not make a takeover offer in circumstances where this would be required under rule 9 of the UK Takeover Code. The Company's Articles of Association contain such provisions which are triggered when a holding of 30% or more is reached.

It is noted that the UK Companies Act affords certain protections to Shareholders as set out below:

- (i) sections 979 to 982 of the UK Companies Act provide that, following a takeover offer as defined in section 974 of the UK Companies Act, the offeror may, in certain circumstances acquire minority shareholdings on a compulsory basis. Sections 979 to 982 provide that if an offeror were to acquire or unconditionally contract to acquire both 90% of the shares to which the offer relates and 90% of the voting rights in the company to which the offer relates, it could then compulsorily acquire the remaining 10%. The offeror would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, 6 weeks later, it

would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the UK Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

- (ii) Sections 983 to 985 of the UK Companies Act give minority shareholders in a company a right to be bought out in certain circumstances by an offeror who has made a takeover offer as defined in section 974 of the UK Companies Act. If a takeover offer related to all the shares and at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90% of the shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. If a shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

### 6.3 Terms and Conditions of Attaching Options

The Attaching Options entitle the holder to subscribe for CDIs on the terms and conditions set out below:

(a) **Entitlement**

- (i) Each Attaching Option gives the Attaching Option Holder the right to subscribe for one (1) CDI by paying the Exercise Price before the Expiry Date in accordance with terms and conditions set out in this Section 6.3.
- (ii) CDIs issued on the exercise of the Attaching Options will rank equally with all existing CDIs on issue, as at the exercise date, and will be subject to the provisions of the Constitution of the Company and any escrow restrictions imposed on them by the ASX.

(b) **Exercise Price**

The amount payable upon exercise of each Attaching Option is \$1.20 (**Exercise Price**).

(c) **Expiry Date**

The Attaching Options will expire on 6 April 2024 (**Expiry Date**). Any Attaching Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Attaching Options are exercisable at any time from the issue date up to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Attaching Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Attaching Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Attaching Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Attaching Option being exercised in cleared funds (**Exercise Date**).

(g) **CDIs issued on exercise**

CDIs issued on exercise of the Attaching Options rank equally with the then issued CDIs of the Company.

(h) **Quotation**

(i) The Company does not intend to apply to the ASX for Official Quotation of the Attaching Options.

(ii) The Company will apply to the ASX for, and will use its best endeavours to obtain, quotation of all CDIs issued on the exercise of any Attaching Options within 10 Business Days (as defined in the Listing Rules) of issue. The Company gives no assurance that such quotation will be granted.

(i) **Participation in new issues**

There are no participation rights or entitlements inherent in the Attaching Options and holders will not be entitled to participate in new issues of capital offered to CDI Holders during the currency of the Attaching Options without exercising the Attaching Options.

(j) **Participation in a Reorganisation of Capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Attaching Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.



## 7. Risk Factors

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The business activities of the Company are subject to risks and there are many risks which may impact on the Company's future performance. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but many are outside of the control of the Company and cannot be mitigated. There are also general risks associated with any investment. Investors should consider all of these risks before they make a decision whether or not to acquire CDIs.

The CDIs offered under this Prospectus are considered speculative. An investment in the Company is not risk free and the Directors strongly recommend that potential investors consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding to apply for the CDIs pursuant to this Prospectus.

The principal risk factors include, but are not limited to, the following.

### 7.1 Company-specific risks

#### (a) Future Capital Needs and Additional Funding

The funds raised by the Entitlement Offer will be used to carry out the Company's objectives as detailed in this Prospectus. The Company's ability to raise further capital (equity or debt) within an acceptable time, of a sufficient amount and on terms acceptable to the Company will vary according to a number of factors.

No assurance can be given that future funding will be available to the Company on favourable terms (or at all). If adequate funds are not available on acceptable terms the Company may not be able to further develop its technology and it may impact on the Company's ability to continue as a going concern.

#### (b) Business risks and uncertainties

The Group has a reliance on a key customer at the present time. The customer accounts for \$7.076 million of revenues totalling \$15.340 million (46%) for the financial year ended 30 June 2021. For the half year ended 31 December 2021, the proportion was 45% of total sales per management accounts. The relationship with the customer is secured by a licence agreement and the Group is diversifying its customer base.

#### (c) Company Operations

The ultimate success of the Company in introducing its products and technology into the market is not guaranteed and will be dependent upon a number of factors including quality and perceived quality of its products and services, the success of the marketing efforts adopted by the Company and the general business practices and methods of the Company in its operations, none of which can be guaranteed.

#### (d) Development Risk

As with the development of any new product or technology, the Company faces a number of risks including the risk that its technology cannot be further successfully developed or that significant delays and increased costs may arise or that the technology as developed may not meet the current needs of the marketplace. The inability to respond to technological changes in a timely manner may have an adverse impact on the revenues and earnings of the Company.

(e) **Credit Risk**

The Group is exposed to the usual credit risk associated with selling on credit and manages this through credit control procedures. AEM receivables are reviewed each month as part of the routine monthly operating review conducted by the Board.

(f) **Foreign Exchange Risk**

As a result of operations in Canada, USA, Australia and United Kingdom the Group's assets and liabilities can be affected by movements in the Canadian dollar-Australian dollar, US dollar-Australian dollar and UK pound sterling-Australian dollar exchange rates.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

The Group is exposed to foreign currency risk following the acquisition of a Canadian-based subsidiary and the risk could increase in the future as international commercialisation of the Group's technologies increase. Foreign currency exposures at the AEM level are managed through a forward foreign exchange hedging facility with HSBC Canada.

(g) **Liquidity Risk**

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group monitors forecast cash inflows and outflows on a monthly basis. The Group has an established operating loan facility for up to approximately \$5 million to assist with day to day operating requirements.

(h) **Dependence on Key Personnel**

The Company is reliant on key personnel employed or engaged by the Company. Loss of such key personnel may have an adverse impact on the Company's operational performance and growth plans.

(i) **Future Investment Risks**

The Company may in the future invest in other projects. This would involve the general risks associated with new business developments. These include financing risk, development risk, project failure and inability to meet financial projections.

## **7.2 General Risks**

(a) **COVID-19**

The ongoing impact of the Coronavirus (COVID-19) pandemic is uncertain and the Group was impacted by supply chain constraints, demand uncertainty within the industry, social distancing measures and the move to a split shift system during the year ended 30 June 2021. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The pandemic may affect future travel, movement of labour and enforce supply chain constraints.

(b) **Securities Investments and Share Market Conditions**

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for exploration and mining companies may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of such companies. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

(c) **Economic Risk**

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption, the rate of growth of gross domestic product in Australia, interest rates and the rate of inflation.

(d) **Changes in legislation and government regulation**

Government legislation in Australia or any other relevant jurisdiction, including changes to the taxation system, may affect future earnings and relative attractiveness of investing in the Company. Changes in government policy or statutory changes may affect the Company and the attractiveness of an investment in it.

(e) **Global credit investment market**

Global credit, commodity and investment markets have recently experienced a high degree of uncertainty and volatility. The factors which have led to this situation have been outside the control of the Company and may continue for some time resulting in continued volatility and uncertainty in world stock markets (including the ASX). This may impact the price at which the Company's securities trade regardless of operating performance and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required.

(f) **Unforeseen risk**

There may be other risks which the Directors are unaware of at the time of issuing this Prospectus which may impact on the Company, its operations and/or the valuation and performance of the Company's securities.

(g) **Combination of risk**

The Company may not be subject to a single risk. A combination of risks, including any of the risks outlined in this Section 7 could affect the performance valuation, financial performance and prospects of the Company.

(h) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any additional expenditure requirements other than those announced on the ASX and disclosed in this Prospectus, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(i) **Market conditions**

Equities market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Equities market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and biotechnology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(j) **Speculative investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.

Therefore, the CDIs to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that an investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

(k) **Currency Risk**

Revenue and expenditures will be received in overseas jurisdictions and will be subject to the risk of fluctuations in foreign exchange.

## 8. Additional Information

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### 8.1 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the securities market conducted by ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain limited exceptions), to notify ASX once it is, or becomes aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the CDIs.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit review or report.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, the offices of ASIC (see Section 8.2 below).

This Prospectus is a 'transaction specific prospectus'. In general terms a 'transaction specific prospectus' is only required to contain information in relation to the effect of the issue of securities on a Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing Company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been provided to ASX and does not include all of the information that would be included in a Prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

### 8.2 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, the offices of ASIC. The Company will provide free of charge to any person who requests it during the period of the issue, a copy of:

- (a) the Annual Report of the Company for the financial year ended 30 June 2021, being the last financial year for which an annual financial report has been lodged with ASIC in relation to the Company before the issue of this Prospectus;
- (b) any half-year financial report lodged by the Company with ASIC after the lodgement of the Annual Report referred to in (a) and before the lodgement of this Prospectus with ASIC; and
- (c) the following continuous disclosure notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the Company's latest Annual Report referred to in paragraph (a) and before the date of issue of this Prospectus are as follows:

Date	Description of announcement
8 March 2022	Trading Halt
	Pause in Trading

<b>Date</b>	<b>Description of announcement</b>
7 March 2022	Change of Director's Interest Notice
	Breakthrough FAA Certification
4 March 2022	Trading Halt
3 March 2022	Experienced Global Aerospace Executive appointed to Board
28 February 2022	Appendix 4D & Half Year Report
25 February 2022	Reinstatement to Official Quotation
	Federal Court Order and Cleansing Notice
9 February 2022	Withdrawal of Prospectuses
4 February 2022	Voluntary Suspension Update
2 February 2022	Request for Extension to Voluntary Suspension
31 January 2022	Appendix 4C and Quarterly Update
	Request for Extension to Voluntary
27 January 2022	Update of Entitlement Offer and Options
	Cancel – Proposed issue of securities – SMN (underwriting agreement related to the non-renounceable offer)
	Cancel – Proposed issue of securities – SMN (existing non-renounceable offer)
	Cancel – Proposed issue of securities – SMN (existing renounceable offer)
	Suspension from Quotation
25 January 2022	Results of Annual General Meeting
	AGM Presentation
24 January 2022	Trading Halt
20 January 2022	Renounceable Entitlement Offer of Options
19 January 2022	Letter to ineligible CDI holders
18 January 2022	Indicative Timetable for Entitlement Offer
17 January 2022	Non-Renounceable Entitlement Offer
11 January 2022	Update – Proposed issue of securities – SMN

Date	Description of announcement
	Proposed issue of securities – SMN (2,500,000 unlisted options)
	Proposed issue of securities – SMN (12,277,143 unlisted options)
	Proposed issue of securities – SMN (10,230,953 CDIs)
	Capital Raising
	Cancel – Proposed issue of securities – SMN
10 January 2022	Trading Halt
	Pause in Trading
24 December 2021	Notice of Annual General Meeting / Proxy Form
30 November 2021	Arbitration Award Received
29 November 2021	Capital Raising Deferred
	Update – Proposed issue of securities
24 November 2021	Results of Extraordinary Meeting
8 November 2021	Application for quotation of securities
3 November 2021	Application for quotation of securities
29 October 2021	Appendix 4C and Quarterly Update
27 October 2021	Notice of Extraordinary General Meeting / Proxy Form
21 October 2021	Company Update & Capital Raising
	Proposed issue of securities
	Reinstatement to Official Quotation
	Final Director's Interest Notice
	Initial Director's Interest Notice
14 October 2021	Notice of Requisition for EGM
12 October 2021	Extension to voluntary suspension
11 October 2021	Extension to voluntary suspension
8 October 2021	Suspension from Official Quotation
6 October 2021	Trading Halt
1 October 2021	Annual Report

Date	Description of announcement
	Appendix 4G & Corporate Governance Statement

The following documents are available for inspection throughout the application period of this Prospectus during normal business hours at the registered office of the Company.

- (a) this Prospectus;
- (b) Articles of Association; and
- (c) the consents provided by the Directors to the issue of this Prospectus.

### 8.3 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules, and which is required to be set out in this Prospectus.

### 8.4 Market price of CDIs

The Company is a disclosing entity for the purposes of the Corporations Act and its CDIs are enhanced disclosure securities quoted on the ASX.

The highest, lowest market and last closing prices of the CDIs on ASX during the three months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

CDI Holder	CDI Price	Date
Highest	\$1.00	8 March 2022
Lowest	\$0.50	28 February 2022
Last	\$1.00	8 March 2022

### 8.5 CHESS Depository Interests (CDIs)

Details of CDIs and the key differences between holding CDIs and holding underlying Shares are detailed below.

#### (a) What are CDIs?

The Company is incorporated under the legal jurisdiction of England and Wales. To enable companies such as the Company to have their securities cleared and settled electronically through CHESS, Depository Instruments called "CDIs" are issued.

Each CDI of the Company represents one underlying Share. The main difference between holding CDIs and Shares is that CDI holders hold the beneficial ownership in the Shares instead of legal title. CHESS Depository Nominees Pty Limited (CDN), a subsidiary of ASX, will hold the legal title to the underlying Shares.

Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the Underlying Shares. CDIs are traded in a manner similar to shares of Australian companies listed on ASX.



CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificate are issued to CDI holders. Shareholders cannot trade their Shares on ASX without first converting their Shares into CDIs.

(b) **How to CDI holders convert from a CDI holding to a direct holding of Shares on the UK principal register and vice versa?**

Convert CDIs into Shares

CDI holders who wish to convert their CDIs to Shares to be held on the UK register can do so by instructing the Company's Share Registry either:

- (i) directly in the case of CDIs on the Issuer Sponsored sub-register operated by the Company. CDI holders will be provided with a form entitled "CDI Cancellation: Australia to United Kingdom Share Register" for completion and return to the Company's Share Registry; or
- (ii) through their sponsoring participate (usually their broker) in the case of CDIs which are sponsored on the CHESS sub-register. In this case, the sponsoring broker will arrange for completion of the relevant form and its return go the Company's Share Registry.

The Company's Share Registry will then arrange for the Shares to be transferred from CDN into the name of that holder and a new share certificate will be issued. This will cause the Shares to be registered in the name of the holder on the Company's share register and trading on ASX will no longer be possible.

The Company's Share Registry will not charge an individual security holder or the Company a fee for transferring CDI holdings into Shares.

Convert Shares into CDIs

If holders of Shares wish to convert their holdings to CDIs, they can do so by contacting the Company. The Company will not charge a fee to a holder of Shares seeking to convert their Shares to CDIs.

Timing

In either case, it is expected that this process will be completed within 24 hours, provided that the Share Registry is in receipt of a duly completed and valid removal request form. However, no guarantee can be given about the time required for this conversion to take place.

(c) **How is local and international trading in CDIs effected?**

CDI holders who wish to trade their CDIs will be transferring the beneficial interest in the Shares rather than the legal title. The transfer will be settled electronically by delivery of the relevant CDI holdings through CHESS. In other respects, trading in CDIs is essentially the same as trading in other CHESS approved securities, such as shares in an Australian company.

(d) **What corporate action entitlement (such as rights issued and bonus issues) do CDI Holders have?**

CDI holders receive all direct economic benefits and other entitlements in relation to the underlying Shares. These include the entitlement to participate in rights issues, bonus issues and capital reductions. These rights exist only under the ASX Settlement Operating Rules, rather than under the UK Companies Act.

(e) **Further information on CDIs**

For further information in relation to CDIs and the matters referred to above, please refer to the ASX website and the documents entitled:

- (i) "Understanding CHESSE Depository Interests" at:

[https://www.asx.com.au/documents/settlement/CHESSE\\_Depository\\_Interests.pdf](https://www.asx.com.au/documents/settlement/CHESSE_Depository_Interests.pdf)

- (ii) ASX Guidance Note 5 at:

[https://www2.asx.com.au/content/dam/asx/rules-guidance-notes-waivers/asx-listing-rules/guidance-notes/gn05\\_chess\\_depository\\_interests.pdf](https://www2.asx.com.au/content/dam/asx/rules-guidance-notes-waivers/asx-listing-rules/guidance-notes/gn05_chess_depository_interests.pdf)

8.6 **Material Contracts**

(a) **Lead Manager Agreement**

The Company has signed, an agreement to engage Mac Equity Partners Pty Ltd to act as lead manager (**Lead Manager**) for any shortfall or oversubscriptions under the Entitlement Offer (**Lead Manager Agreement**), the material terms and conditions of which are summarised below.

(i) **Role**

The Lead Manager will assist the Company to play any shortfall or oversubscriptions pursuant to the Entitlement Offer on a best endeavours basis.

(ii) **Fees**

Under the terms of the engagement, the Company will pay/issue to the Lead Manager (or its nominees) the following:

- (A) *Lead Manager Fee*: \$10,000 or, at the election and discretion of the Company, the equivalent in CDIs (approximately 11,111 New CDIs issued to the Lead Manager (or its nominees) on the same terms as those New CDIs issued pursuant to the Entitlement Offer), conditional on the Lead Manager placing an amount of no less than \$100,000 to persons other than Eligible CDI Holders, Drake Special Situations LLC and the Company's Directors and their related entities, and subject to any Shareholder approval required; and
- (B) *Shortfall Placement Fee*: 6% on any funds raised as a result of placings pursuant to the Shortfall Offer, from persons other than Eligible CDI Holders, Drake Special Situations LLC and the Company's Directors and their related entities, and who are sophisticated and wholesale investors and other strategic investors.

(iii) **Term of Engagement**

The Lead Manager Agreement will terminate on a date which is 4 months subsequent to the completion and issue of New CDIs pursuant to the Offers. The Lead Manager may also terminate the Lead Manager Agreement at its sole discretion by giving written notice to the Company.

## 8.7 Dividend policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

## 8.8 Litigation and contingent liabilities

The Company was involved in a dispute between the Company and Tulip Bay Pty Ltd (**Tulip Bay**) regarding claims for royalties in relation to contracts associated with the sale of CVM technology to the Company. As disclosed in the annual report for the financial year ended 30 June 2021, the Company had a contingent liability for the claim for royalties amounting to \$561,865 including interest. On 29 November 2021, the Company received an arbitration award in relation to the dispute with claims for costs to follow. Please refer to the announcement dated 30 November 2021 for further details.

As at 6 January 2022, the Company received the claims for costs. However, this amount is still subject to arbitrator assessment and determination. Please refer to the note in the pro-forma financial information in section 5.3 for further details.

Other than as disclosed in this Prospectus, as at the date of this Prospectus, the Company is not involved in any legal proceedings, and the Directors are not aware of any other legal proceedings pending or threatened against the Company.

## 8.9 Directors' interests

### (a) Interests

Except as disclosed in this Prospectus, no Director, and no firm in which a Director has an interest:

- (i) has any interest, nor has had any interest in the last two years prior to the date of this Prospectus, in the formation or promotion of the Company, the Offers or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
- (ii) has been paid or given, or will be paid or given, any amount or benefit to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offers.

Mr. Bryant McLarty, a Director of the Company, is also a director and the Executive Chairman of Mac Equity Partners Pty Ltd, the lead manager for any shortfall or oversubscriptions under the Entitlement Offer. However, it is noted that the Lead Manager Agreement entered into by the Company and Mac Equity Partners Pty Ltd is on arm's length (based on general market practice) and contains standard and customary terms for such type of agreement.

(b) **Directors' Holdings**

Set out in the table below are details of Directors' relevant interests in the securities of the Company at the date of this Prospectus:

Director	Shares / CDIs	Performance Rights	% of Total Securities at Prospectus Date <sup>5</sup>
Mr. Will Rouse	1,156,016 <sup>1</sup>	Nil	0.94%
Mr. Stephen Forman	1,739,978	253,954 <sup>2</sup>	1.62%
Mr. Bryant Mclarty	1,625,871 <sup>3</sup>	Nil	1.32%
Mr. Sam Wright	1,775,813 <sup>4</sup>	Nil	1.44%
Mr. Rick Deurloo (Incoming Director) <sup>6</sup>	Nil	Nil	0.00%

*Notes:*

- This represents 1,156,016 Shares held by Mr. Will Rouse directly and indirectly.*
- As at the date of this Prospectus, there is a total of 430,608 Performance Rights issued, whereby each Performance Right entitles the holder to 1 ordinary Share, vesting in accordance with terms as referred to in the Annual Report for the financial year ended 31 June 2021. Mr. Stephen Forman hold approximately 58.98% of all Performance Rights Issued.*
- This represents 1,625,871 Shares held by Mr. Bryant Mclarty directly and indirectly.*
- This represents 1,775,813 Shares held by Mr. Sam Wright indirectly.*
- This includes Shares, CDIs and Performance Rights.*
- Mr. Rick Deurloo is an incoming director and will join the Company as a non-executive director, effective 1 April 2022. Mr. Rick Deurloo has been included in the table above for completeness. He has more than 23 years of experience in management and sales in the global aerospace industry. Mr. Rick Deurloo is currently SVP & Chief Commercial Officer for Pratt & Whitney. In this role he is responsible for leading and directing all Sales, Marketing and Customer Support worldwide for Pratt & Whitney Commercial Engines and International Aero Engines (IAE).*

The Directors currently intend on subscribing for their full entitlements (and not in excess) under the Entitlement Offer. The table below shows the effect of the Offers on the Directors' relevant interest in the securities of the Company:

	Number	% of Total Securities <sup>2</sup>	% of Voting Power <sup>3</sup>
<b>Mr. Will Rouse</b>			
Securities as at Prospectus date	1,156,016 CDIs	0.94% <sup>1</sup>	0.94% <sup>1</sup>
CDIs issued under Entitlement Offer	96,335	0.07%	0.07% <sup>3</sup>

Attaching Options issued under Entitlement Offer	48,167	0.03%	NA
<b>Total CDIs after completion</b>	<b>1,252,351</b>	<b>0.90%</b>	<b>0.94%<sup>3</sup></b>
<b>Total Securities after completion</b>	<b>1,300,518</b>	<b>0.94%</b>	<b>0.94%<sup>5</sup></b>
<b>Mr. Stephen Forman</b>			
<b>Securities as at Prospectus date</b>	<b>1,739,978 CDIs</b> <b>253,954 Performance Rights</b>	<b>1.62%<sup>1</sup></b>	<b>1.42%<sup>1</sup></b>
CDIs issued under Entitlement Offer	144,998	0.10%	0.11% <sup>3</sup>
Attaching Options issued under Entitlement Offer	72,499	0.05%	NA
<b>Total CDIs after completion</b>	<b>1,884,976</b>	<b>1.36%</b>	<b>1.42%<sup>3</sup></b>
<b>Total Securities after completion</b>	<b>2,211,429</b>	<b>1.60%</b>	<b>1.60%<sup>5</sup></b>
<b>Mr. Bryant Mclarty</b>			
<b>Securities as at Prospectus date</b>	<b>1,625,871 CDIs</b>	<b>1.32%<sup>1</sup></b>	<b>1.32%<sup>1</sup></b>
CDIs issued under Entitlement Offer	135,489	0.10%	0.10% <sup>3</sup>
CDIs issued under Lead Manager Agreement <sup>4</sup>	11,111	0.01%	0.01% <sup>3</sup>

Attaching Options issued under Entitlement Offer	67,745	0.05%	NA
<b>Total CDIs after completion</b>	<b>1,772,471</b>	<b>1.28%</b>	<b>1.33%<sup>3</sup></b>
<b>Total Securities after completion</b>	<b>1,840,216</b>	<b>1.33%</b>	<b>1.33%<sup>5</sup></b>
<b>Mr. Sam Wright</b>			
<b>Securities as at Prospectus date</b>	<b>1,775,813 CDIs</b>	<b>1.44%<sup>1</sup></b>	<b>1.45%<sup>1</sup></b>
CDIs issued under Entitlement Offer	147,984	0.11%	0.11% <sup>3</sup>
Attaching Options issued under Entitlement Offer	73,992	0.05%	NA
<b>Total CDIs after completion</b>	<b>1,923,797</b>	<b>1.39%</b>	<b>1.45%<sup>3</sup></b>
<b>Total Securities after completion</b>	<b>1,997,790</b>	<b>1.44%</b>	<b>1.44%<sup>5</sup></b>
<b>Rick Deurloo (Incoming Director)</b>			
<b>Securities as at Prospectus date</b>	<b>Nil</b>	<b>0.00%<sup>1</sup></b>	<b>0.00%<sup>1</sup></b>
CDIs issued under Entitlement Offer	Nil	0.00%	0.00% <sup>3</sup>
Attaching Options issued under Entitlement Offer	Nil	0.00%	NA

<b>Total CDIs after completion</b>	<b>Nil</b>	<b>0.00%</b>	<b>0.00%<sup>3</sup></b>
<b>Total Securities after completion</b>	<b>Nil</b>	<b>0.00%</b>	<b>0.00%<sup>5</sup></b>

Notes:

1. *Calculated as at date of the Prospectus.*
2. *For illustrative purposes, total securities includes Shares, CDIs, Options and Performance Rights (unless otherwise indicated).*
3. *Calculated based on total CDIs after the Offers (unless otherwise indicated), excluding Options and Performance Rights which do not have voting rights.*
4. *The Company notes that Mr. Bryant Mclarty is the sole shareholder and director of Mac Equity Partners Pty Ltd, the Lead Manager for any shortfall and oversubscriptions in the Entitlement Offer. The Lead Manager may be issued with approximately 11,111 CDIs as payment for lead manager services rendered (in lieu of fees of \$10,000 and at the discretion of the Company). Mr. Bryant Mclarty is deemed to have an indirect interest in such CDIs issued to the Lead Manager.*
5. *Based on total securities (including Options and Performance Rights as converted into CDIs on a one-for-one basis).*
6. *Slight discrepancies in figures and percentages are due to rounding.*

**(c) Remuneration of Directors**

Please refer to the Remuneration Report, which is contained on pages 13 to 17 of the Company's Annual Report for the financial year ended 30 June 2021, for full details of the remuneration of the Company's executive and non-executive directors.

The Annual Report for the financial year ended 30 June 2021 was lodged with ASX on 1 October 2021, and is available on the Company's website at <https://www.smsystems.com.au/investor-centre/>.

**8.10 Interests of Named Persons**

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Offers or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Entitlement Offer.

Mac Equity Partners Pty Ltd (AFSL 338731) will act as the lead manager of the Shortfall Offer. Given that the Lead Manager will place any Shortfall on a best endeavours basis, as at this date it is difficult to estimate the total fees to be paid. As such, only the Lead Manager Fee of \$10,000 (assuming the Company elects to pay cash) to the Lead Manager have been included in the expenses in Section 8.12.

Gadens has acted as the Australian legal advisor to the Company in relation to the Offers.

The Company has paid or agreed to pay \$30,000 (excluding GST and disbursements) for these services in connection with the Offers up to the date of the Prospectus. Further amounts may be payable to Gadens in accordance with its time-based charge out rates.

## 8.11 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the securities), the Directors, the persons named in the Prospectus with their consent as proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus.

Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section 8.11:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section 8.11;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 8.11; and
- (c) has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Mac Equity Partners Pty Ltd (AFSL 338731) (**Mac Equity Partners**) has given its written consent to being named in the manner in which it is referred to throughout this Prospectus. Mac Equity Partners has not caused or authorised the issue of this Prospectus, and expressly disclaims and takes no responsibility for, any part of this Prospectus. Mac Equity Partners has not withdrawn its consent prior to lodgement of this Prospectus with ASIC. Mac Equity Partners (including its related entities) is not a Shareholder of the Company and currently has no relevant interest in any of the Company's securities.

Gadens has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Company's Australian legal adviser in the form and context in which it is named. Gadens takes no responsibility for any part of this Prospectus, other than a reference to its name.



## 8.12 Expenses of the Offers

The estimated expenses of the Offers are approximately \$80,000 (excluding GST) comprising ASIC and ASX fees and administrative expenses as set out in the table below. These expenses will be deducted from the Company's working capital.

<b>Fee</b>	<b>\$</b>
ASIC fees	\$3,206
ASX fees	\$22,631
Lead manager fees (assuming the Company pays cash)	\$10,000
Legal fees	\$30,000
Printing and registry fees	\$14,163
<b>Total</b>	<b>\$80,000</b>

## 8.13 Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Entitlement and Acceptance Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both.

The Company reserves the right not to accept an Entitlement and Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Entitlement and Acceptance Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## 8.14 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the CDIs under this Prospectus.

## 8.15 Governing law

This Prospectus, the Offers and the contracts formed on acceptance of Applications under the Offers are governed by the laws applicable in Victoria, Australia. Each Applicant for CDIs submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

#### **8.16 Directors authorisation**

This Prospectus is authorised by each Director, who has given and not withdrawn their consent to the issue of this Prospectus and to its lodgement with ASIC.

Signed on the date of this Prospectus on behalf of Structural Monitoring Systems Plc by:

A handwritten signature in blue ink, appearing to read 'W. Rouse', with a long horizontal flourish extending to the right.

10 March 2022

**Mr Will Rouse**  
Executive Chairman  
**Structural Monitoring Systems Plc**

## 9. Glossary of Terms

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These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

**\$** means the lawful currency of the Commonwealth of Australia.

**AEM** means Anodyne Electronics Manufacturing Corp, a wholly-owned subsidiary of the Company.

**Articles of Association** means the articles of association of the Company as at the date of this Prospectus.

**AWST** means Australian Western Standard Time, being the time in Perth, Western Australia.

**Annual Report** means the financial report lodged by the Company with ASIC in respect to the financial year ended 30 June 2021.

**Applicant** means a person who submits an Entitlement and Acceptance Form.

**Application** means a valid application for CDIs made pursuant to this Prospectus on an Entitlement and Acceptance Form.

**Application Money** means money received from an Applicant in respect of its application for CDIs under the Entitlement Offer and Shortfall Offer and **Application Monies** has the corresponding meaning.

**ASIC** means Australian Securities and Investments Commission.

**Associate** has the same meaning as that in the Corporations Act.

**ASX** means ASX Limited ACN 008 129 164 and where the context permits the Australian Securities Exchange operated by ASX Limited.

**ASX Settlement Operating Rules** means the settlement rules of the securities clearing house which operates CHESS.

**Attaching Option** means an Options issued on the terms set out in Section 6.3.

**Board** means the Directors meeting as a board.

**Business Day** means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

**CDI** means CHESS Depository Interest representing a unit of beneficial interest in the Shares registered in the name of Chess Depository Nominees Pty Ltd.

**CDI Holder** means the registered holder of CDIs

**CDN** means CHESS Depository Nominees Pty Ltd ACN 071 3456 506.

**CHESS** means ASX Clearing House Electronic Subregister System.

**Cleansing Offer** means the offer of CDIs as set out in Section 4.9 of this Prospectus.

**Company or SMN** means Structural Monitoring Systems Plc (UK Company No. 4834265; ARBN 106 307 322).

**Company Secretary** means Mr. Sam Wright or his associated entity (as the context requires).

**Corporations Act** means *Corporations Act 2001* (Cth).

**CVM** means the comparative vacuum monitoring technology of the Company.

**Directors** mean the current directors of the Company, and where applicable, includes the Incoming Director.

**Eligible CDI Holder** means a CDI Holder of the Company as at the Record Date whose registered address in the Company's register of members is situated in Australia, New Zealand or the Province, or any other CDI Holder elected at the Company's discretion to offer to.

**Entitlement** means the entitlement of a CDI Holder who is eligible to participate in the Entitlement Offer.

**Entitlement and Acceptance Form or Form** means the entitlement and acceptance form sent with this Prospectus.

**Entitlement Offer** means the offer of 10,230,953 CDIs at an issue price of \$0.90 per New CDI to Eligible CDI Holders by way of the pro rata non-renounceable entitlement issue, together with one Attaching Option for every two New CDIs subscribed for, to raise up to approximately \$9.2 million on the terms and conditions set out in Section 4.1 of this Prospectus.

**Entitlement Offer Closing Date** means 2.00pm (AWST) 30 March 2022 or such later date as the Directors may determine, subject to the Listing Rules.

**Fully Subscribed** means that all Entitlements are taken up (including those to be sold by the Nominee on behalf of Ineligible CDI Holders, if applicable) on the assumption that no further CDIs are issued by the Company prior to the Record Date.

**Group** means the Company and its subsidiaries.

**Incoming Director** means Rick Deurloo, an incoming non-executive director of the Company, effective from 1 April 2022.

**Ineligible CDI Holders** means a CDI Holder as at the Record Date other than an Eligible CDI Holder.

**Issue Price** means \$0.90 per New CDI.

**Issuer Sponsored** means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

**Listing Rules** means the Listing Rules published by ASX.

**New CDIs** means CDIs to be allotted and issued under the Entitlement Offer.

**Offer** means the offer of Securities pursuant to this Prospectus.

**Offers** means the Entitlement Offer, the Shortfall Offer and the Cleansing Offer, or either as the context otherwise requires.

**Official List** means the official list of ASX.

**Official Quotation** means quotation on the Official List on ASX.

**Option** means an option to acquire a CDI.

**Performance Right** means a right which entitles the holder to be issued with one Share subject to the satisfaction of any service and performance hurdles.

**Prospectus** means this prospectus dated 10 March 2022.

**Province** means the Canadian province of British Columbia.

**Record Date** means the date specified in the timetable set out at the commencement of this Prospectus.

**Related Body Corporate** has the meaning given to that expression in section 50 of the Corporations Act.

**Section** means a section of this Prospectus.

**Securities** means Shares, CDIs and Options, or as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of Shares.

**Shortfall** or **Shortfall Securities** has the meaning given in Section 4.8.

**Shortfall Offer** means the offer for Shortfall Securities as set out in Section 4.8 of this Prospectus.

**UK Companies Act** means the *Companies Act 2006 (UK)*.