

# Prospectus

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## Structural Monitoring Systems Plc UK Company No. 4834265

### Entitlement Option Offer

This Prospectus is being issued for a pro-rata renounceable entitlement issue of approximately 12,277,143 options (**Entitlement Options**) at an issue price of \$0.10 per Entitlement Option to Eligible CDI Holders on the basis of 1 Entitlement Option for every 10 CDIs held as at the Record Date to raise up to approximately \$1.2 million before costs (**Entitlement Option Offer**). The Entitlement Option Offer closes at 2.00 pm (AWST) on Monday, 7 February 2022. Valid Applications must be received before that time.

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

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

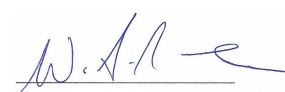
### Important Information

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 Entitlement Options 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 Entitlement Options by Structural Monitoring Systems Plc (UK Company No. 4834265) ("**SMN**" or "**Company**") under the Entitlement Option Offer.

This Prospectus is dated 20 January 2022. A copy of the Prospectus was lodged with ASIC on that date. ASIC and ASX take no responsibility for the contents of this Prospectus. No Entitlement Options 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).

Applications for Entitlement Options 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.

### 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 Option 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 Option 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 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 Option 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 Option Offer of Entitlement Options 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 Entitlement Options 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 Option 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 Entitlement Options 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 Entitlement Options 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 Entitlement Options 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 Entitlement Options 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 Entitlement Options 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 Entitlement Options) 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 Entitlement Options 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 Entitlement Options involves a number of risks. The key risk factors which investors should be aware are set out in Section 0 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 Entitlement Options.

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 Option 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 0, 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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<b>Directors</b>	<b>Corporate Office</b>
Mr. Will Rouse, Executive Chairman, Director	Suite 116, 1 Kyle Way Claremont WA 6010 Tel: +61 6161 7412 Email: s.forman@systems.com.au
Mr. Stephen Forman, Non Executive Director	
Mr. Bryant Mclarty, Non Executive Director	<b>Registered Office</b>
Mr. Sam Wright, Non Executive Director	The Old Court, 8 Tufton Street Ashford Kent TN23 1PF United Kingdom
<b>Company Secretary</b>	<b>Australian Legal Adviser</b>
Mr Sam Wright	Gadens Level 13, Collins Arch 447 Collins Street Melbourne VIC 3000
<b>CDI Registry</b>	<b>ASX Code</b>
Computershare Investor Services Pty Limited Level 11, 172 St Georges Terrace Perth WA 6000	SMN
<a href="http://www.investorcentre.com/contact">www.investorcentre.com/contact</a>	

## 2. Indicative Timetable

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The indicative timetable for the Offers is as follows:

EVENT	DATE
Announcement of Entitlement Option Offer and lodgement of Appendix 3B with ASX	Monday, 11 January 2022
Lodgement of Entitlement Option Offer Prospectus	Thursday, 20 January 2022
Notice of Entitlement Option Offer sent to Ineligible CDI holders	Friday, 21 January 2022
Ex date (i.e. date from which CDIs trade without entitlements to participate in the Entitlement Option Offer)	Monday, 24 January 2022
Rights start trading	Monday, 24 January 2022
Record Date	4.00pm (AWST) Tuesday, 25 January 2022
Entitlement Option Offer Prospectus and personalised Entitlement and Acceptance Form despatched to Eligible CDI Holders and announcement of such occurrence	Friday, 28 January 2022
Entitlement Option & Shortfall Offer Opening Date	Friday, 28 January 2022
Rights trading ends at close of trading	Tuesday, 1 February 2022
Last day to extend Entitlement Option Offer Closing Date	Thursday, 3 February 2022
Entitlement Option Offer & Shortfall Offer Closing Date	2.00pm (AWST) Tuesday, 8 February 2022
Announcement of results of the Entitlement Option Offer	By noon, Friday, 11 February 2022
Allotment of Entitlement Options & Shortfall Options	Tuesday, 15 February 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 Option 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 renounceable pro-rata entitlement issue of 1 Entitlement Option for every 10 CDIs held at the Record Date of 4.00pm (AWST) on Tuesday, 25 January 2022, at an Issue Price of \$0.10 per Entitlement Option (**Entitlement Option Offer**).

The Entitlement Option 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 Entitlement Option for every 10 CDIs held as at the Record Date.
- Entitlement Options are priced at 10 cents per Entitlement Option and enable existing CDI Holders to participate in the Company's capital raising. The exercise price of the Entitlement Options is 90 cents and the expiry date is 31 January 2024.
- the Entitlement Option Offer of approximately 12,277,143 Entitlement Options may raise up to approximately \$1.2 million (before costs).
- Eligible CDI Holders will also have the right to apply for additional Entitlement Options in excess of their Entitlement under the Shortfall Offer.

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

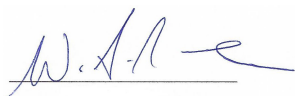
The Company has granted Mac Equity Partners Pty Ltd the right to subscribe and place any of the shortfall under the Option Offer on a best endeavours basis and at its absolute discretion for a period of three months post the Entitlement Option Offer Closing Date. However, this does not prevent the Company from placing any shortfall under the Entitlement Option Offer itself to strategic investors.

Assuming the Entitlement Option Offer is fully subscribed, the funds raised will be approximately \$1.2 million. The primary purpose of the Entitlement Option Offer is to reward Eligible CDI Holders with the opportunity to acquire Options at an attractive price. The funds from the Entitlement Option Offer are important and will be applied for various purposes including working capital for the Company.

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 Option Offer.

Yours sincerely,



**Will Rouse**  
**Executive Chairman**

## 4. Details of the Entitlement Option Offer

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### 4.1 The Entitlement Option Offer

Pursuant to this Prospectus the Company is offering a pro-rata renounceable entitlement issue of 1 Entitlement Option for every 10 CDIs held by Eligible CDI Holders registered at the Record Date at an Issue Price of \$0.10 (10 cents) per CDI (**Entitlement Option Offer**).

The Entitlement Option Offer is renounceable which means that all or part of the Eligible CDI Holders' rights to subscribe for Entitlement Options under the Entitlement Option Offer may be traded on ASX or via an off-market transfer (or any other exchange or privately transferred). Entitlement Options not subscribed for by Eligible CDI Holders will be offered to new investors and existing CDI Holders under this Prospectus by way of the Shortfall Offer (see Section 4.9 below for details).

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 and Entitlement Options.

Based on the capital structure of the Company as at the date of this Prospectus and assuming all Entitlements are accepted, a maximum of 12,277,143 Entitlement Options may be issued pursuant to the Entitlement Option Offer, increasing the Options on issue from nil to 12,277,143 Options. Assuming the Entitlement Option Offer is Fully Subscribed then the Company will raise approximately \$1.2 million under the Entitlement Option Offer before costs.

### 4.2 Purpose of the Entitlement Option Offer

The primary purpose of the Entitlement Option Offer is to reward Eligible CDI Holders with an opportunity to acquire Entitlement Options at an attractive price. The Entitlement Option Offer is intended raise up to approximately \$1.2 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 Option Offer are planned to be used for CVM commercialisation, the expenses of the Offer and general working capital.

### 4.3 What Eligible CDI Holders may do

The number of Entitlement Options to which Eligible CDI Holders are entitled is shown on the Entitlement and Acceptance Form.

Eligible Shareholders may choose any of the options set out in the table below.

Option	Key Considerations	Further information
Take up all of your Entitlement	<p>Should you wish to accept all of your Entitlement, then your application for Securities under this Prospectus must be made by following the instructions on the Entitlement and Acceptance Form.</p> <p>Payment can be made by the methods set out in Section 4.7.</p>	Section 4.7

Option	Key Considerations	Further information
Take up all of your Entitlement and also apply for Shortfall Options	<p>Should you wish to accept all of your Entitlement and apply for Shortfall Options, then your application for your Entitlement and additional Shortfall Options under this Prospectus must be made by following the instructions on your Entitlement and Acceptance Form.</p> <p>Payment can be made by the methods set out in Section 4.7. Payment should be made for your Entitlement and the amount of the Shortfall for which you are applying.</p> <p>If you apply for Shortfall Options beyond your Entitlement you are deemed to have accepted your Entitlement in full. You should note that the allocation of Shortfall Options is at the discretion of the Company as per the allocation policy set out in Section 4.9. Accordingly, your application for additional Shortfall Options may be scaled-back.</p> <p>The Company's decision on the number of Shortfall Options to be allocated to you will be final.</p>	Sections 4.7 and 4.9
Sell all of your Entitlement on ASX	<p>The Entitlements under the Entitlement Option Offer are renounceable which means that all or part of an Eligible CDI Holder's rights to subscribe for Entitlement Options under the Entitlement Option Offer may be traded on ASX.</p> <p>If you wish to sell all of your Entitlement on ASX, provide instructions to your stockbroker regarding the Entitlement you wish to sell on ASX. Trading of Entitlements will commence on ASX on 24 January 2022 and will cease on 1 February 2022.</p> <p>There is no guarantee that an Eligible CDI Holder will be able to sell all or any part of their Entitlement on ASX or that any particular price will be paid for the Entitlements sold on ASX.</p>	N/A
Take up a proportion of your Entitlement and sell the balance on ASX	<p>If you wish to take up only part of your Entitlement, your application must be made by completing the Entitlement and Acceptance Form, for the number of Entitlement Options you wish to take up and making payment using the methods set out in Section 4.7 below.</p>	Sections 4.7

Option	Key Considerations	Further information
	Subsequently, provide instructions to your stockbroker regarding the proportion of your Entitlement you wish to sell on ASX.	
Take up a proportion of your Entitlement and allow the balance to lapse	If you wish to take up only part of your Entitlement and allow the balance to lapse, your application must be made by completing the Entitlement and Acceptance Form, for the number of Securities you wish to take up and making payment using the methods set out in Section 4.7.	Sections 4.7
Sell all or a proportion of your Entitlement other than on ASX	<p>You may elect to transfer all or a proportion of your Entitlement to another person other than on ASX. If the purchaser of your Entitlement is an Ineligible CDI Holder or a person that would be an Ineligible CDI Holder if they were a registered holder of CDIs, that purchaser will not be able to take up the Entitlement they have purchased.</p> <p>If you are a CDI Holder on the issuer sponsored subregister and you wish to transfer all or a proportion of your Entitlement to another person other than on ASX, forward a completed standard renunciation and transfer form (obtainable from the Share Registry) and the applicable transferee's cheque for the Shares they wish to subscribe for payable to "Structural Monitoring Systems Plc" and crossed "Not Negotiable" to the Share Registry by post at any time after the issue of this Prospectus and on or before the Entitlement Option Offer Closing Date at the following address:</p> <p>By Post  C/- Computershare Investor Services Pty Limited  GPO Box 2975 Melbourne  Victoria 3001 Australia</p> <p>If you wish to transfer all or a proportion of your Entitlement to or from another person on the CHESS subregister you must engage your CHESS controlling participant (usually your stockbroker). If the transferee wants to exercise some or all of the Entitlement, you should follow your stockbroker's instructions as to the most appropriate way to take up the Entitlement on their behalf. The application monies for Entitlement Options the transferee of the Entitlement wants to acquire must be received by Share Registry on or before the closing date of the Entitlement Option Offer.</p>	N/A

Option	Key Considerations	Further information
Allow all or part of your Entitlement to lapse	<p>CDI Holders should be aware that their Entitlement may have value. Entitlements are renounceable, which enable Eligible CDI Holders who do not wish to take up part or all of their Entitlement to seek to sell or trade all or some of their Entitlement on ASX or otherwise.</p> <p>If you do not wish to accept or trade any part of your Entitlement, you are not obliged to do anything. If you do not take up your Entitlement or dispose of your Entitlement by the Entitlement Option Offer Closing Date, the Entitlement Option Offer to you will lapse.</p>	N/A

#### 4.4 Opening and Closing Dates

The Company will accept Entitlement and Acceptance Forms until 2.00pm AWST on the Entitlement Option Offer Closing Date, being 8 February 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 Option 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 Option Offer Closing Date.

#### 4.5 Minimum subscription amount

There is no minimum amount sought to be raised by the Entitlement Option Offer. This Prospectus is also an offer to issue Shortfall Options under the Shortfall Offer. Please refer to Section 4.9 for further information and details of the Shortfall Offer.

#### 4.6 Underwriting

The Entitlement Option Offer is not underwritten. However, the Company has granted Mac Equity Partners Pty Ltd the right to subscribe and place any of the shortfall under the Option Offer on a best endeavours basis and at its absolute discretion for a period of three months post the Entitlement Option Offer Closing Date. However, this does not prevent the Company from placing any shortfall under the Entitlement Option Offer itself.

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

#### **4.7 Application for Entitlement Options**

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

You may take up your Entitlement in whole 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 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 Option Offer Closing Date. If we receive your payment after the Entitlement Option 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 Option 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 Option Offer to subscribe, on the terms set out in this Prospectus and in the Entitlement and Acceptance Form, for the number of Entitlement Options represented by the payment.

We will hold your Application Money on trust until we issue the Entitlement Options in accordance with the Corporations Act. We will retain any interest earned on the Application Money, whether or not the Entitlement Options 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.**

#### **4.8 Issue of Entitlement Options**

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

Option Holder statements will be dispatched as soon as possible after the issue of the Entitlement Options.

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

#### **4.9 Shortfall – applications for Shortfall Options (Shortfall Offer)**

Any Entitlement Options not accepted by Eligible CDI Holders under their Entitlements will form the Shortfall Options to be offered under this Prospectus pursuant to the Shortfall Offer.

Any Shortfall Options not subscribed for by Eligible CDI Holders under the Entitlement Option Offer may be placed at the discretion of the Directors under section 708 of the Corporations Act. In order for any placement of the Shortfall Options 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 Options within three (3) months after the close of the Entitlement Option 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 Options 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 Entitlement Options in excess of their Entitlement are invited to apply for Shortfall Options under the Shortfall Offer by completing the appropriate section on their Entitlement and Acceptance Form or by making payment for such Shortfall Options in accordance with Section 4.7.

The Lead Manager (in consultation with the Directors) will allocate the Shortfall Options 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.

#### **4.10 Appointment of Nominee**

Pursuant to ASX Listing Rule 7.7, the Company has appointed a nominee, the Lead Manager, to sell the Entitlements to which Ineligible CDI Holders are entitled. The nominee will have the absolute and sole discretion to determine the timing and price at which the Entitlements may be sold and the manner of any such sale.

The proceeds of the sale of these Entitlements will firstly be applied against expenses of such sale, including brokerage, and any balance will accrue to the relevant Ineligible CDI Holders as described below.

The net proceeds of the sale of these Entitlements will then be forwarded by the Company as soon as practicable to the Ineligible CDI Holders, in proportion to their share of such Entitlements (after deducting brokerage commission and other expenses). If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds may be retained by the Company.

Notwithstanding that the nominee must sell Entitlements, Ineligible CDI Holders may nevertheless receive no net proceeds if the costs of the sale are greater than the sale proceeds. In this regard, the nominee will not be required to sell Ineligible CDI Holders' Entitlements at a particular price.

Shareholders resident in Australia or New Zealand holding securities on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Entitlement Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

#### **4.11 Fractional entitlements**

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

#### **4.12 ASX quotation**

The Company does not intend to apply to the ASX for Official Quotation of the Entitlement 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 Entitlement Options within 10 Business Days (as defined in the Listing Rules) of issue. The Company gives no assurance that such quotation will be granted.

#### **4.13 CHESS and Entitlement Options**

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

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

The CHESS statement will set out the number of Entitlement 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 Entitlement 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 Entitlement Options issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored holding statement will routinely be sent to holders if there have been any changes to their Security holding in the Company during the preceding month. Holders may request a statement at any other time, however, a charge may be made for additional statements.

#### **4.14 Residents outside Australia**

This Prospectus, and the accompanying Entitlement and Acceptance Form, do not, and are not intended to, constitute an offer of Entitlement Options 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 Entitlement Options. 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.

#### **4.15 Risk factors**

An investment in Entitlement 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.

#### **4.16 Taxation implications**

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

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

#### **4.17 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 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 Option Offer.

#### **4.18 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.

#### **4.19 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 CDI 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 Entitlement Option Offer

### 5.1 Effect on capital structure

Upon completion of the Entitlement Option Offer, the issued capital of the Company will be as follows:

CDIs	Number
Balance as at the date of Prospectus	122,771,431
CDIs to be issued under Entitlement Offer <sup>1</sup>	10,230,953
CDIs to be issued under the Entitlement Offer Oversubscription Facility <sup>1</sup>	5,000,000
CDI's to be issued under the Entitlement Option Offer	Nil
<b>Total CDI's on issue after completion of the Entitlement Offer and Entitlement Option Offer<sup>1</sup></b>	<b>138,002,384</b>
Options	
Options currently on issue	Nil
Options offered pursuant to the Entitlement Option Offer <sup>2</sup>	12,277,143
Options issued to Mac Equity Partners Pty Ltd under the Entitlement Offer	2,500,000
<b>Total Options on issue after completion of the Entitlement Option Offer<sup>2</sup></b>	<b>14,777,143</b>

**Notes:**

1. This assumes the Entitlement Offer and Entitlement Option Offer is fully subscribed and the Entitlement Offer is oversubscribed to the maximum value of \$3 million.
2. This assumes the Entitlement Option Offer is Fully Subscribed.

### 5.2 Details of substantial CDI Holders

Based on publicly available information as at the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	CDIs	%
Drake Special Situations LLC	23,862,500	19.4%

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

The possible effect that the issue of Entitlement Options under the Entitlement Option 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 Option Offer and then exercise all of the Entitlement Options issued to them under the Entitlement Option Offer, then the issue of CDIs on exercise of the Entitlement Options 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 Option Offer; and
- if some Eligible CDI Holders do not take up all of their Entitlement under the Entitlement Option Offer and all Entitlement Options issued under the Entitlement Option Offer are exercised, the CDI holdings of Eligible CDI Holders who do not subscribe for their full Entitlement of CDIs under the Entitlement Option Offer and Ineligible CDI Holders who are unable to participate in the Entitlement Option 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 Option Offer if the Entitlement Options issued under the Entitlement Option Offer are exercised; and
- if no Eligible CDI Holders other than the Directors take up their Entitlements under the Entitlement Option Offer and the Company issues the Shortfall under the Entitlement Option Offer to only a limited number of investors, this may potentially result in a new investor having a substantial interest in the Company.

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

Given the above, assuming the Entitlement Option Offer is fully subscribed and all such Entitlement Options are exercised, there is not expected to have any material effect on the control of the Company.

### **5.3 Financial Effect of the Offers**

After paying for the expenses of the Offers of approximately \$60,000, there will be approximately \$1,140,000 net proceeds from the Entitlement Option Offer (assuming full subscription). The expenses of the Offers (refer to Section 8.11) will be met from the proceeds from the Entitlement Option Offer. The Entitlement Option Offer will have an effect on the Company's financial position, being receipts of funds of approximately \$1.2 million less costs of preparing the Prospectus of approximately \$60,000.

However, set out below is the audited balance sheet for the Company as at 30 June 2021, as per the Annual Report for the financial year (1 July 2020 to 30 June 2021), and the unaudited and unreviewed pro-forma balance sheet shown below, has 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 30 June 2021):

- (a) an amount of approximately \$6.1 million (before costs) is successfully raised under the Entitlement Offer;

- (b) an amount of approximately \$3 million (before costs) is successfully raised under the Entitlement Offer Oversubscription Facility;
- (c) an amount of approximately \$1.2 million (before costs) is successfully raised under the Entitlement Option Offer; and
- (d) the Company incurs the costs of the Entitlement Option Offer referred to in Section 8.11.

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>Audited as at</b>	<b>Pro-forma adjustments</b>		<b>Pro-forma</b>
	<b>30-Jun-21</b>	<b>Entitlement</b>	<b>Entitlement</b>	<b>after issue</b>
	<b>\$000'</b>	<b>Offer</b>	<b>Option Offer</b>	<b>\$000'</b>
<b>Current assets</b>				
Cash and cash equivalents	2,381	8,850	1,140	12,371
Trade and other receivables	2,858	-		2,858
Inventory	7,088	-		7,088
<b>Total current assets</b>	<b>12,327</b>	<b>8,850</b>	<b>1,140</b>	<b>22,317</b>
<b>Non-current assets</b>				
Property, plant and equipment	444	-	-	444
Right-of-use assets	373	-	-	373
Intangible assets and goodwill	3,718	-	-	3,718
<b>Total non-current assets</b>	<b>4,535</b>	<b>-</b>	<b>-</b>	<b>4,535</b>
<b>Total assets</b>	<b>16,862</b>	<b>8,850</b>	<b>1,140</b>	<b>26,852</b>
<b>Current liabilities</b>				
Trade and other payables	1,845	-	-	1,845
Lease liabilities	268	-	-	268
Provisions	126	-	-	126
<b>Total current liabilities*</b>	<b>2,239</b>	<b>-</b>	<b>-</b>	<b>2,239*</b>
<b>Non-current liabilities</b>				
Lease liabilities	70	-	-	70
Deferred tax	539	-	-	539

Consolidated statement of financial position				
	Audited as at	Pro-forma adjustments		Pro-forma
	30-Jun-21	Entitlement Offer	Entitlement Option Offer	after issue
<b>Total non-current liabilities</b>	<b>609</b>	-	-	<b>609</b>
<b>Total liabilities</b>	<b>2,848</b>	-	-	<b>2,848</b>
<b>Total net assets</b>	<b>14,014</b>	<b>8,850</b>	<b>1,140</b>	<b>24,004</b>
<b>Equity</b>				
Issued capital	31,949	13	-	31,962
Share premium reserve	36,492	8,837	1,140	46,469
Accumulated losses	-	-	-	-
	53,194	-	-	53,194
Other reserves	-	-	-	-
	1,233	-	-	1,233
<b>Total equity</b>	<b>14,014</b>	<b>8,850</b>	<b>1,140</b>	<b>24,004</b>

Notes:

\$9.1m at 60c	#CDIs	15,230,953	
nominal share	GBP	0.0005	
Exchange rate GBP per AUD		0.5307	(as at 14/01/22)
nominal share in AUD	AUD	0.0009422	

**\*NB:** The amount specified by way of current liabilities does not include the arbitration award received against the Company by Tulip Bay Pty Ltd (as announced on ASX on 30 November 2021). As announced on 30 November 2021, the amount awarded against the Company was \$561,865, which the Company has already paid. Tulip Bay Pty Ltd has made a submission for costs of the arbitration proceedings, to be assessed by the arbitrators. However, the Company notes that an agreement or order has not yet been made in connection with Tulip Bay Pty Ltd's costs for the arbitration proceedings. . See section 8.7 below for further detail.

## 6. Rights and liabilities attaching to Entitlement Options and CDIs

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### 6.1 Terms and Conditions of Entitlement Options

The Entitlement Options entitle the holder to subscribe for CDI's on the terms and conditions set out below:

(a) **Entitlement**

- (i) Each Entitlement Option gives the Entitlement 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 6.1.
- (ii) CDIs issued on the exercise of the Entitlement 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 Entitlement Option is \$0.90 (90 cents) (**Exercise Price**).

(c) **Expiry Date**

The Entitlement Options will expire on 31 January 2024 (**Expiry Date**). Any Entitlement Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

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

(e) **Notice of Exercise**

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

(f) **CDIs issued on exercise**

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

(g) **Quotation**

- (i) The Company does not intend to apply to the ASX for Official Quotation of the Entitlement 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 Entitlement Options within 10 Business Days (as defined in the Listing Rules) of issue. The Company gives no assurance that such quotation will be granted.

(h) **Participation in new issues**

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

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

If at any time the issued capital of the Company is reconstructed, all rights of an Entitlement 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.

**6.2 Rights attaching to CDIs (being the underlying security to the Entitlement Options)**

A summary of the key rights attaching to the CDIs is set out below. 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.

(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. This 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.

If a CDI Holder wishes to vote in person at a meeting of Shareholders (whether on a show of hands or on a poll), he will first need to convert his CDIs into Shares.

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

The ASX Settlement Operating Rules ensure that CDI Holders have the right to receive dividends.

If a company has dividend investment schemes or bonus share plans, it must make these available to CDI holders.

(c) **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.

## **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 Entitlement Options.

The Entitlement Options 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 Entitlement Options 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 Option 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. 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. There is currently no form of currency hedging or risk strategy in place, but this policy will be reviewed and strategies implemented once the review is complete.

(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 0 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.

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 listed on the ASX and the CDIs are quoted on the ASX. This Prospectus contains an offer to acquire Options to acquire such CDIs.

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
19 January 2022	Letter to Ineligible CDI holders

Date	Description of announcement
18 January 2022	Indicative Timetable for Entitlement Offer
17 January 2022	Non-Renounceable Entitlement Offer
11 January 2022	Update – Proposed issue of securities - SMN
	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

Date	Description of announcement
11 October 2021	Extension to voluntary suspension
8 October 2021	Suspension from Official Quotation
6 October 2021	Trading Halt
1 October 2021	Annual Report 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	\$0.97	20 October 2021
Lowest	\$0.55	17 December 2021
Last	\$0.60	19 January 2022

The Company has no Options currently quoted on the ASX.

### 8.5 Material Contracts

#### (a) Lead Manager Agreement

The Company has entered into an agreement (**Agreement**) to engage Mac Equity Partners Pty Ltd (AFSL 338731) (**Lead Manager**) to act as lead manager and underwriter of the Entitlement Offer and in addition to this to act as lead manager of the Entitlement Option Offer.

**(i) Term**

The Agreement is for the Lead Manager to place any Shortfall Options from the Entitlement Option Offer on a best endeavours basis, and at its absolute discretion, for a period of three months post Entitlement Option Offer Closing Date.

The Agreement may be terminated by the Lead Manager in accordance with certain termination events pursuant to the Entitlement Offer and the Agreement or by the Company giving written notice relating to the withdrawal of the Entitlement Offer.

**(ii) Entitlement Option Offer Fees**

Under the terms of the Agreement, in respect of the Entitlement Option Offer, the Company will pay to the Lead Manager 6% of the subscription monies received for Options offered under the Entitlement Option Offer from persons who are not Eligible CDI Holders, Drake Special Situations LLC and the Company's directors and their related entities as at the Record Date.

If the Agreement is terminated or the Entitlement Option Offer is not otherwise completed no such fee will be payable to the Lead Manager.

**8.6 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.

**8.7 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 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.

**8.8 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 underwriter of the Entitlement Offer and Lead Manager of the Entitlement Option Offer. However, it is noted that the underwriting agreement and lead manager agreement entered into by the Company and Mac Equity Partners Pty Ltd is on arm's length and contains standard and customary terms for such type of agreements.

(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	% of Total Shares / CDIs	Performance Rights
Mr. Will Rouse	1,156,016 <sup>1</sup>	0.94%	Nil
Mr. Stephen Forman	1,739,978	1.42%	253,954
Mr. Bryant McLarty	1,525,871 <sup>2</sup>	1.24%	Nil
Mr. Sam Wright	1,775,813 <sup>3</sup>	1.45%	Nil

**Notes:**

1. This represents 1,156,016 Shares held by Mr. Will Rouse directly and indirectly.
2. This represents 1,525,871 Shares held by Mr. Bryant McLarty directly and indirectly.
3. This represents 1,620,000 Shares held by Mr. Sam Wright indirectly.

(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/>.

## 8.9 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:

- 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 Entitlement Option Offer or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
- 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 Option Offer.

Mac Equity Partners Pty Ltd (AFSL 338731) has acted as the Lead Manager of the Entitlement Option 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, no fees to the Lead Manager have been included in the expenses in Section 8.11.

Gadens has acted as the Australian legal advisor to the Company in relation to the Offers. The Company has paid or agreed to pay \$40,000(excluding GST and disbursements) for these services in connection with the Entitlement Option Offer up to the date of the Prospectus. Further amounts may be payable to Gadens in accordance with its time-based charge out rates.

## **8.10 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:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section 8.10;
- (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 8.10; 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.

### 8.11 Expenses of the Offers

The estimated expenses of the Offers are approximately \$60,000 (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.

Fee	\$
ASIC fees	\$3,206
Legal fees	\$40,000
Printing and registry fees	\$16,794
<b>Total</b>	<b>\$60,000</b>

### 8.12 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.

### 8.13 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 Entitlement Options under this Prospectus.

### 8.14 Governing law

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

### 8.15 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:



20 January 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.

**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 Entitlement Options 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 Entitlement Options under the Entitlement Option Offer and Shortfall Offer and **Application Monies** has the corresponding meaning.

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

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

**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 Depositary Interest representing a unit of beneficial interest in the Shares registered in the name of Chess Depositary Nominees Pty Ltd.

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

**CDN** means CHESS Depositary Nominees Pty Ltd.

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

**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).

**Directors** mean the directors of the Company.

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

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

**Entitlement Option** means an option to acquire a CDI on the terms and conditions set out in section 6 of this Prospectus.

**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 \$0.60 per CDI to Eligible CDI Holders by way of the pro rata non-renounceable entitlement issue to raise up to approximately \$6.1 million on the terms and conditions set out in the Prospectus lodged with ASX on or around 17 January 2022, which includes any shortfall offer as applicable.

**Entitlement Offer Oversubscription Facility** means the mechanism under which the Company may issue additional new CDIs to Eligible CDI Holders in excess of their entitlements under the Entitlement Offer.

**Entitlement Option Offer** means the offer of 12,277,143 Entitlement Options at an issue price of \$0.10 per Entitlement Option to Eligible CDI Holders by way of the pro-rata renounceable entitlement issue to raise up to approximately \$1.2 million on the terms and conditions set out in Section 4.1 of this Prospectus.

**Entitlement Option Offer Closing Date** means 2.00pm (AWST) Tuesday, 8 February 2022 or such later date as the Directors may determine, subject to the Listing Rules.

**Exercise Period** has the meaning attributed to it in section 6.1(d).

**Exercise Price** has the meaning attributed to it in section 6.1(b).

**Expiry Date** has the meaning attributed to it in section 6.1(c).

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

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

**Ineligible CDI Holders** means a CDI Holder as at the Record Date whose registered address in the Company's register of members is not situated in Australia, New Zealand or the Province, or any other CDI Holder elected at the Company's discretion to offer to.

**Issue Price** means \$0.10 per Entitlement Option.

**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.

**Lead Manager** means Mac Equity Partners Pty Ltd (AFSL 338731).

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

**Notice of Exercise** has the meaning attributed to it in section 6.1(e).

**Offer** means the offer of Entitlement Options pursuant to this Prospectus.

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

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

**Official Quotation** means quotation of CDIs on the Official List.

**Option** means an option to acquire a CDI, including an Entitlement Option as the context requires.

**Option Holder** means the registered holder of Options.

**Prospectus** means this prospectus dated 20 January 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.

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

**Shareholder** means a holder of Shares.

**Shortfall** or **Shortfall Options** means:

- (a) those Entitlement Options offered under the Entitlement Option Offer for which valid applications have not been received from Eligible CDI Holders under their Entitlement; and
- (b) those Entitlement Options to which any CDI Holders who are Ineligible CDI Holders as at the Record Date would have been entitled to apply for under the Entitlement Option Offer, if they were Eligible CDI Holders at the Record Date.

**Shortfall Offer** means the offer for Shortfall Options as set out in Section 4.9 of this Prospectus.