

**STRUCTURAL  
MONITORING  
SYSTEMS  
plc**

**(Registered in England with Company No. 4834265  
ARBN 106 307 322)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING  
and  
EXPLANATORY STATEMENT  
and  
PROXY FORM**

**DATE AND TIME OF MEETING:  
7 August 2018 at 11:00am (WST)**

**VENUE:  
The Exchange Tower  
Level 8  
2 The Esplanade  
Perth WA 6000**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**These documents should be read in their entirety. If you are in any doubt as to what action you should take, you are recommended to seek your own advice from your accountant, solicitor or other duly authorised professional adviser.**

**If you have sold or transferred all of your ordinary shares in Structural Monitoring Systems plc, please send this document, together with the accompanying form of proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.**



## NOTICE OF EXTRAORDINARY GENERAL MEETING

### STRUCTURAL MONITORING SYSTEMS PLC

REGISTERED NO 04834265

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**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting ("**Meeting**") of members of Structural Monitoring Systems Plc ("**the Company**") will be held at The Exchange Tower, Level 8, 2 The Esplanade, Perth WA 6000 on 7 August 2018 at 11:00am (WST).

Holders of ordinary shares in the Company ("**Shareholders**") are requested to complete and return the enclosed form of proxy to the Company at Structural Monitoring Systems PLC, PO Box 661, Nedlands, Western Australia, 6909 or by facsimile to +61 08 9467 6111 by no later than 11 a.m. WST on 5 August 2018, whether or not they propose to be present at the Meeting.

The completion and return of a form of proxy will not prevent you from attending the Meeting and voting in person should you subsequently wish to do so.

Holders of CHESS Depository Interests ("**CDIs**") are invited to attend and speak at the Meeting but are not entitled to vote personally at the Meeting. In order to have votes cast at the Meeting on their behalf, CDI holders must complete, sign and return the CDI Voting Instruction Form (as enclosed with this Notice) so that CHESS Depository Nominees Pty Ltd ("**CDN**") can vote the underlying shares on your behalf. CDI holders are requested to complete and return the CDI Voting Instruction Form to the Company's share register by no later than 11 a.m. WST on 4 August 2018. An Explanatory Statement containing information in relation to the proposed resolutions accompanies this Notice.

**Online:**

At [www.investorvote.com.au](http://www.investorvote.com.au)

**By Mobile:**

Scan the QR Code on your Proxy form and follow the prompts

**By Mail to:**

Computershare Investor  
Services Pty Ltd  
GPO Box 242  
Melbourne, Victoria 3001  
Australia

**By Facsimile to:**

1800 783 447  
(within Australia) or  
+61 3 9473 2555  
(outside Australia)

**By Hand to:**

Computershare Investor  
Services Pty Ltd  
Level 11  
172 St Georges Terrace  
Perth, Western Australia 6000

# NOTICE OF EXTRAORDINARY GENERAL MEETING

## STRUCTURAL MONITORING SYSTEMS PLC

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### A G E N D A

#### ORDINARY BUSINESS

##### RESOLUTION 1: APPROVAL OF ISSUE OF SECURITIES TO ANDREW CHILCOTT

To consider and, if thought fit, to pass, with or without amendment (to the extent permitted by English law), the following resolution as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to issue up to 100,000 fully paid ordinary shares in the Company to Andrew Chilcott or his nominee on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by R. Michael Reveley, William Rouse, and Terry Walsh and a person who may receive securities under the Resolution or a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

##### RESOLUTION 2: APPROVAL OF ISSUE OF SECURITIES TO TERRY WALSH

To consider and, if thought fit, to pass, with or without amendment (to the extent permitted by English law), the following resolution as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to issue up to 50,000 fully paid ordinary shares in the Company to Terry Walsh or his nominee on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by R. Michael Reveley, William Rouse, and Terry Walsh and a person who may receive securities under the Resolution or a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

##### RESOLUTION 3: ISSUE OF PERFORMANCE RIGHTS TO TERRY WALSH

To consider and, if thought fit, to pass, with or without amendment (to the extent permitted by English law), the following resolution as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to issue up to 150,000 Performance Rights in the Company to Terry Walsh or his nominee on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by R. Michael Reveley, William Rouse, and Terry Walsh and a person who may receive securities under the Resolution or a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### RESOLUTION 4: ISSUE OF PERFORMANCE SHARES TO OCTUS AEROSPACE SOLUTIONS OR ITS NOMINEE

To consider and, if thought fit, to pass, with or without amendment (to the extent permitted by English law), the following resolution as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue 5,000,000 Performance Shares in the Company to Octus Aerospace Solutions LLC or its nominee on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by Octus Aerospace Solutions LLC and a person who may receive securities under the Resolution or a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### PROXIES

Shareholders are advised that:

1. As a holder of ordinary shares in the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at an Extraordinary General Meeting of the Company. A proxy need not be a member of the Company.
2. In the case of joint holders, the vote of the person first named in the register of members tendering a vote will be accepted to the exclusion of the votes of the other joint holders.
3. In the case of a corporation, the form of proxy must be expressed to be executed by the corporation and must be executed under its common seal, or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
4. To be valid, the form of proxy and any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company at Structural Monitoring Systems PLC, PO Box 661, Nedlands, Western Australia, 6909 or by facsimile to +61 08 9467 6111 by no later than 11 a.m. WST on 5 August 2018.
5. The completion and return of a proxy card will not affect the right of a member to attend, speak and vote in person at the meeting convened by this notice.
6. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.  
To direct your proxy how to vote on the resolutions mark the appropriate box with an "X". To abstain from voting on a resolution, select the relevant "abstain" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
7. Members will be entitled to attend and vote at the meeting if they are registered on the Company's register of members 48 hours before the time appointed for the meeting or any adjournment thereof. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

#### BY ORDER OF THE BOARD



**Sam Wright**  
Company Secretary  
Dated: 17 July 2018

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## STRUCTURAL MONITORING SYSTEMS PLC

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### EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide Shareholders with certain information known to the Company that the Company deems to be material to Shareholders in deciding whether or not to approve the proposed Resolutions.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

Certain capitalised terms in this Explanatory Statement are defined in the Glossary.

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## 1. RESOLUTION 1: - ISSUE OF SECURITIES TO ANDREW CHILCOTT

### 1.1 General

The Company resolved to issue (subject to Shareholder approval), 100,000 Shares to Mr Andrew Chilcott. Mr Chilcott served as an independent Non-Executive Director from 29 November 2010 to 4 April 2018.

Andrew Chilcott resigned from the Company in April 2018 following a restructure pursuant to which Terry Walsh replaced him as a Director. Prior to Mr Chilcott resigning he was the holder of 300,000 performance shares which were to expire, in accordance with their terms, on his resignation. It was therefore agreed that in consideration of his resignation under circumstances where he would effectively forego his 300,000 performance shares (and to settle all other potential claims against the Company) to issue him with 100,000 ordinary shares in the company (subject to shareholder approval). This is documented in a signed Deed of Settlement and Release. It should also be noted that given the Company's current stage of development and cash flow it was considered that a settlement by way of shares (subject to shareholder approval) rather than cash was more beneficial to the Company.

The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Shares upon the terms proposed.

The Directors resolved to issue the Shares at a deemed issue price of \$1.00 which is the same price as the at the time the Directors made such resolution.

### 1.2 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues or agrees to issue securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Accordingly, approval is sought in accordance with ASX Listing Rule 10.11 from Shareholders for the issue of the shares.

### Technical information required by ASX Listing Rule 10.11

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of shares to Mr Chilcott:

- (a) The shares will be issued to Mr Chilcott or his nominee;
- (b) The maximum number of shares to be issued is 100,000;
- (c) The Company proposes to issue the shares to Mr Chilcott or his nominee no later than one month after the date of the Extraordinary General Meeting;
- (d) Mr Chilcott is a former Director of the Company;
- (e) The shares will be issued at a deemed price of \$1.00;

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- (f) The shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing fully paid ordinary shares; and
- (g) No funds will be raised by the issue of these shares.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the shares to Mr Chilcott as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the shares to Mr Chilcott will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

#### **Recommendation**

Mr Chilcott declines to make a recommendation to Shareholders in relation to this Resolution.

The remaining directors recommend that Shareholders vote in favour of this Resolution.

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## **2. RESOLUTION 2: - ISSUE OF SECURITIES TO TERRY WALSH**

### **2.1 General**

Resolution 2 seeks Shareholder approval for the issue of 50,000 Shares to Terry Walsh pursuant to the terms of his Employment Agreement.

The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Shares upon the terms proposed.

### **2.2 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues or agrees to issue securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Accordingly, approval is sought in accordance with ASX Listing Rule 10.11 from Shareholders for the issue of the shares.

#### **Technical information required by ASX Listing Rule 10.11**

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of shares to Mr Walsh:

- (a) The shares will be issued to Mr Walsh or his nominee;
- (b) The maximum number of shares to be issued is 50,000;
- (c) The Company proposes to issue the shares to Mr Walsh or his nominee no later than one month after the date of the Extraordinary General Meeting;
- (d) Mr Walsh is a Director of the Company;
- (e) The shares will be issued at a deemed price of \$1.00;
- (f) The shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing fully paid ordinary shares; and
- (g) No funds will be raised by the issue of these shares.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the shares to Mr Walsh as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the shares to Mr Walsh will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

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### Recommendation

Mr Walsh declines to make a recommendation to Shareholders in relation to this Resolution.

The remaining directors recommend that Shareholders vote in favour of this Resolution.

### 3. RESOLUTION 3 – ISSUE OF PERFORMANCE RIGHTS TO TERRY WALSH

#### 3.1 Background

Resolution 3 seeks Shareholder approval for the issue of Performance Rights to Terry Walsh pursuant to ASX Listing Rule 10.14. The Performance Rights are being issued under the terms of the Structural Monitoring Systems Performance Rights Plan (**Plan**) approved by Shareholders on 27 November 2015.

ASX Listing Rule 10.11 requires Shareholder approval to be obtained where an entity issues, or agrees to issue securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

An exception to ASX Listing Rule 10.11 is set out in ASX Listing Rule 10.12 (exception 4) which provides that ASX Listing Rule 10.11 does not apply to issue made with the approval of shareholders under ASX Listing Rule 10.14.

ASX Listing Rule 10.14 provides that an entity must only allow directors or their associates to acquire securities under an employee incentive plan with the approval of shareholders and provided the notice of meeting complies with ASX Listing Rule 10.15 or 10.15A.

The issue of Performance Rights (and any subsequent share on satisfaction of performance hurdles) is seen as a cost effective way of providing the Director a tangible incentive to enhance the performance of the Company.

#### Information Required by ASX Listing Rules

For the purposes of ASX Listing Rules 10.14 and 10.15A the following information is provided:

- (a) The Performance Rights will be issued to Terry Walsh;
- (b) The maximum number of securities that may be acquired by Mr Walsh or his nominee under the Plan is up to 150,000 Performance Rights;
- (c) The terms of the Performance Rights are set out in Schedule 1;
- (d) There is no monetary consideration payable for the issue of the Performance Rights;
- (e) Shareholder approval to issue Performance Rights under the Plan was last given at the 2015 annual general meeting held on 27 November 2015. Since that date, the Company has issued the following Performance Rights to the current and former Directors under the Plan:

Director	Number of Performance Rights	Number of Performance Rights voluntarily forfeited/lapsed	Number of Performance Rights converted to shares on satisfaction of the milestones	Acquisition price
Toby Chandler	558,333	Nil	558,333	Nil
Michael Reveley	800,000	Nil	200,000	Nil
Andrew Chilcott	300,000	300,000	Nil	Nil
William Rouse	625,000	Nil	Nil	Nil
Toby Chandler	1,850,000	Nil	450,000	Nil



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(f) Performance Rights are subject to share price hurdles as follows:

Related Party	Tranche 1- \$2.00	Tranche 2- \$2.50	Tranche 3- \$3.00	Tranche 4- \$3.25	Tranche 5- \$3.50	Tranche 6- \$3.75	Total
Terry Walsh	25,000	25,000	25,000	25,000	25,000	25,000	150,000

- (g) All Directors are entitled to participate in the Plan. At the date of this Notice, the Directors are Michael Reveley, William Rouse and Terry Walsh.
- (h) No loans will be provided to Directors in relation to the acquisition of the Performance Rights under the Plan.
- (i) Details of any securities issued under the Plan will be published in each annual report of the entity relating to a period in which securities have been issued, and that approval for the issue of securities was obtained under ASX Listing Rule 10.14.
- (j) The Performance Rights will be issued no later than 3 years from the date of this Meeting.

### Recommendation

Michael Reveley, William Rouse and Terry Walsh decline to make a recommendation to Shareholders in relation to this Resolution.

## 4. RESOLUTION 4: - ISSUE OF PERFORMANCE SHARES TO OCTUS AEROSPACE SOLUTIONS OR ITS NOMINEE

### 4.1 General

Resolution 4 seeks Shareholder approval for the issue of Performance Shares to Octus Aerospace Solutions LLC (“Octus”), an unrelated party, pursuant to the terms of the Introducer Agreement executed on 25 May 2018.

The Introducer Agreement executed on 25 May 2018 is a replacement agreement to the one announced in June 2017. There is a new entity, Octus Aerospace Solutions LLC, which is now a party but the four other counter parties (John Nolan, David Battiston, Geoff Rapp and Neil Petch) are the same. The Commencement Date is the same (6 June 2017) and each of the individuals guarantee and indemnify the Octus company from the Commencement Date. The terms and conditions of the new contract are substantially similar to the one it replaces, including the obligation to issue 5 million performance shares and the terms of the performance shares. Octus is essentially the name and entity through which the four other individuals to the contract conduct their business. The biographies of these individuals is set out in the announcement dated 8 June 2017 as is the significance of the transaction to the Company and rationale to engage these people and their organisation (Octus)

SMS has appointed Octus to introduce the Company to the Nominated Airlines for the purpose of the Company entering into Licensing Agreements with each Nominated Airline. In consideration of Octus arranging Introductory Meetings and providing the Introducer Services to the Company, the Company agrees to pay Octus fees and for the Performance Shares to be converted into Shares in accordance with the term set out in Schedule 2 if those introductions result in binding Licensing Agreements between SMS and the Nominated Airlines and certain Milestones are achieved in accordance with the terms of the Introducer Agreement. The relevant terms and conditions of the Introducer Agreement are set out in Schedule 2 of this Explanatory Statement.

If any of the Performance Shares are converted into Shares, the effect would be to dilute the shareholding of existing Shareholders. If all the 5,000,000 Performance Shares were converted into Shares, the effect would be to dilute the shareholding of the existing Shareholders by approximately 4.38% based on the total number of Shares on issue at the date of this Notice being 114,248,468 Shares.

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#### 4.2 Introducer Services

Pursuant to the terms of the Introducer Agreement, Octus must:

- (a) arrange meetings and/or geographically defined roadshows between the Company and Nominated Airlines (which must include a meeting with the CEO, President, C-Suite or equivalent decision maker (Nominated Airline Leader) or a delegate of the Nominated Airline Leader), for the purpose of discussing the Company's Technology and other services with the intention of the Company and the Nominated Airline entering into a Licensing Agreement (Introductory Meetings).;
- (b) liaise with the Company for the purpose of arranging and preparing for Introductory Meetings;
- (c) respond within a reasonable time to questions from the Company about a Nominated Airline or persons Octus has a relationship with at a Nominated Airline;
- (d) provide briefings to the Company about a Nominated Airline or details and background information about the persons it has a relationship with at the Nominated Airline;
- (e) advise the Company about any information which would reasonably be considered to be valuable to a party in the Company's position and which may assist the Company at an Introductory Meeting, including any information which may assist the Company to enter into a Licensing Agreement with a Nominated Airline;
- (f) provide general guidance and reasonable assistance to the Company prior to and following an Introductory Meeting in order to assist the Company enter into a Licensing Agreement with a Nominated Airline; and
- (g) the fee structure is that the Company agrees to pay Octus, 20.0% of the gross revenue of the first Licensing Agreement and 15.0% of each subsequent agreement in addition to the 5,000,000 performance shares proposed to be issued to Octus subject to shareholder approval.

#### 4.3 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue, or agree to issue, during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities on issue at the commencement of that 12 month period.

By obtaining Shareholder approval to issue ordinary shares to Octus Aerospace Solutions LLC or its nominee, the Company retains its 15% capacity under Listing Rule 7.1.

#### Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the ordinary shares:

- (a) the maximum number of securities to be issued is 5,000,000 Performance Shares to Octus Aerospace Solutions LLC or its nominee;
- (b) the Performance Shares will be issued no later than 7 days after the date of the Extraordinary General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules and agreed with Octus Aerospace Solutions LLC and the other parties to the Introducer Agreement) and it is intended that allotment will occur on the same date;
- (c) the Performance Shares will be granted for nil cash consideration, accordingly no funds will be raised;
- (d) the Performance Shares will be issued to Octus Aerospace Solutions LLC or its nominee. Octus Aerospace Solutions LLC is not a related party of the Company;
- (e) the terms and conditions of the Performance Shares are set out in Schedule 2; and
- (f) no funds will be raised from the issue.

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#### GLOSSARY

In this Notice of Meeting and Explanatory Statement the following expressions have the following meanings:

<b>"Additional Milestone"</b>	means the execution of each Other Licensing Agreement
<b>"Articles of Association" or "Articles"</b>	The Company's articles of association, as amended from time to time
<b>"ASX"</b>	ASX Limited (ACN 008 624 691)
<b>"ASX Listing Rules" or "Listing Rules"</b>	The official Listing Rules of ASX as amended from time to time
<b>"Board"</b>	The board of Directors of the Company
<b>"Commencement Date"</b>	means 6 June 2017
<b>"Director"</b>	A director of Structural Monitoring Systems
<b>"First Licensing Agreement"</b>	The first Licensing Agreement entered into by the Company and the Nominated Airline (or an Affiliate or Related Entity of either), which must be executed within 5 years from the Commencement Date
<b>"First Milestone"</b>	First Milestone means the execution of the First Licensing Agreement
<b>"Licensing Agreement"</b>	a written agreement, including extensions, modifications, supplements, assignments, novations and variations of that written agreement, between the Company and a Nominated Airline (or Affiliate or Related Entity of either)
<b>"Meeting" or " Extraordinary General Meeting"</b>	The 2018 Extraordinary General Meeting of the Company to be held on 7 August 2018
<b>"Milestone"</b>	means the First Milestone and/or any Additional Milestone
<b>"Nominated Airline"</b>	means any one of airlines listed in the Introducer Agreement.
<b>"Notice of Meeting"</b>	The notice convening the Meeting, which accompanies this Explanatory Statement
<b>"Octus"</b>	Octus Aerospace Solutions LLC (License Number 170528.01)
<b>"Other Licensing Agreement"</b>	means each Licensing Agreement other than the First Licensing Agreement entered into by the Company and a Nominated Airline (or an Affiliate or Related Entity of either)
<b>"Performance Share"</b>	a performance share in the capital of Company, totalling an aggregate amount of 5,000,000 Performance Shares on the terms and conditions set out in Schedule 2
<b>"Share"</b>	means a fully paid ordinary share issued in the capital of the Company
<b>"Resolutions"</b>	The proposed resolutions set out in the Notice of Meeting
<b>"Shareholder"</b>	The registered holder of one or more Shares.
<b>"Structural Monitoring Systems" or "Company"</b>	Structural Monitoring Systems plc, registered in England and Wales with Company Number 4834265 (ARBN: 106 307 322)
<b>"WST"</b>	Western Standard Time (Australia)
<b>"\$" or "\$"</b>	Australian dollars
<b>"£"</b>	British pounds

## NOTICE OF EXTRAORDINARY GENERAL MEETING

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#### SCHEDULE 1– TERMS OF THE PERFORMANCE RIGHTS

##### (Resolution 3)

The Performance Rights will be issued under and in accordance with the terms and conditions of the Plan and the following terms.

##### **Terms of Performance Rights**

1. The Performance Rights are non-transferable.
2. The Performance Rights do not confer any entitlement to attend or vote at meetings of the Company, to dividends, to participation in new issues of securities or entitlement to participate in any return of capital.
3. The Performance Rights vest upon the satisfaction of the relevant performance hurdle within 3 years of the issue of the Performance Rights.
4. The Performance Rights lapse if the performance hurdle is not satisfied within 3 years of the issue of the Performance Rights except as otherwise provided for in the terms and conditions of the Plan.
5. Upon vesting, 1 ordinary share will be issued for every 1 Performance Right on the payment of the par value of the ordinary share, being £0.0005 pence per ordinary share by the holder. The ordinary shares will rank equally in all respects with the existing ordinary shares.
6. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the vesting date, the number of Performance Rights, the share price relevant to the performance hurdle and any exercise price may be reconstructed in accordance with the terms and conditions of the Plan.

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#### SCHEDULE 2– TERMS OF THE PERFORMANCE SHARES

##### (Resolution 4)

##### Relevant Terms of Contract

Pursuant to clause 6 of the Agreement provides, inter alia:

“(a) At the Execution Date the Company must use best endeavours to:

- (i) issue the Performance Shares, to Octus or its nominee (which may be David Nolan or his Affiliate or Related Entity (**Nominee**); and
- (ii) give to the ASX an Appendix 3B in respect of the Performance Shares.”

Performance Shares is defined as:

“5,000,000 performance shares in the capital of the Company on the terms and conditions set in Schedule 2.”

Under Schedule 2, term (j) each Performance Share in the relevant class will convert into one Share (up to a total of 5,000,000 Performance Shares on the achievement of various “Milestones” which are more fully set out in term (j) (defined in full below).

The achievement of the Milestones is dependent on the Company entering into Licensing Agreements (as defined in the Glossary).

Additional Milestones will not be satisfied by an amendment, modification, extension, supplement, assignment, novation or variation of an existing agreement on foot.

Additional Milestone will not be satisfied unless a new licensing agreement is signed with a different nominated airline (ie Additional Milestones cannot be satisfied by signing multiple agreements with a single airline).

##### Terms and Conditions of Performance Shares

Schedule 2 of the Agreement headed “Performance Shares” provides as follows:

- (a) (**Performance Shares**): each Performance Share is a share in the capital of the Company.
- (b) (**General Meetings**): each Performance Share confers upon the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to holders of fully paid ordinary shares in the capital of the Company (**Members**). Members have the right to attend general meetings of Members.
- (c) (**Dividend and Voting Rights**): A Performance Share does not confer upon the Holder an entitlement to vote or receive dividends.
- (d) (**No rights to return of capital**): a Performance Share does not entitle the Holder to a return of capital, or to participate in the surplus profits or assets of the Company, whether in a winding up, upon a reduction of capital or otherwise.
- (e) (**Share ranking**): All Shares issued upon conversion of the Performance Shares will upon issue rank *pari passu* in all respects with all other Shares.
- (f) (**Listing of Shares on ASX**): The Company will not apply for quotation of the Performance Shares on ASX. However, if the Company is listed on the ASX at the time of conversion of the Performance Shares into Shares, the Company will apply for quotation of all Shares issued pursuant to the conversion of Performance Shares on ASX within the period required by ASX.
- (g) (**Non-Transfer of Performance Shares**): Performance Shares are not transferable.

## NOTICE OF EXTRAORDINARY GENERAL MEETING

### STRUCTURAL MONITORING SYSTEMS PLC

REGISTERED NO 04834265

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- (h) **(Participation in new issues):** There are no participation rights or entitlements inherent in the Performance Shares and holders will not be entitled to participate in new issues of capital offered to Members during the currency of the Performance Shares.
- (i) **(Adjustment for reconstruction):** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of a Performance Share (including the conversion conditions) are to be changed in a manner consistent with the *Corporations Act 2001 (Cth)* and the ASX Listing Rules at the time of the reorganisation.
- (j) **(Conversion):** subject to paragraph (l), each Performance Share in the relevant class will convert into one Share (up to the total of 5,000,000 Performance Shares) on the receipt of a written notice from the relevant Holder requesting that the Performance Share is converted following the achievement of the following Milestones:
- (i) 6 months following satisfaction of the First Milestone, 1,500,000 Performance Shares will automatically convert into Ordinary Shares;
  - (ii) 6 months following the satisfaction of each Additional Milestone (up to the fifth Additional Milestone), additional parcels of 750,000 Performance Shares for each Milestone will automatically convert into Ordinary Shares; and
  - (iii) 6 months following the sixth Additional Milestone, a final parcel of 500,000 Performance Shares will automatically convert into Ordinary Shares.
- (k) **(Deferral of Conversion if resulting in a prohibited acquisition of Shares):** If the conversion of a Performance Share under paragraph (l) would result in any person being in contravention of section 606(1) of the *Corporations Act 2001 (Cth)* (**General Prohibition**) then the conversion of that Performance Share shall be deferred until such later time or times (but no later than 5 years from the date of issue of such Performance Shares) that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Share would result in a contravention of the General Prohibition:
- (i) Holders may give written notice to the Company if they consider that the conversion of a Performance Share may result in contravention of the General Prohibition. The absence of such written notice from the Holder will entitle the Company to assume that the conversion of a Performance Share will not result in any person being in contravention of the General Prohibition.
  - (ii) The Company may (but is not obliged to) by written notice to a Holder request that a Holder provides the written notice referred to in paragraph (k)(i) within 7 days if the Company considers that the conversion of a Performance Share may result in the contravention of the General Prohibition. The absence of such written notice from the Holder will entitle the Company to assume that the conversion of a Performance Share will not result in any person being in contravention of the General Prohibition.
- (l) **(Redemption if Milestone not Achieved):** if the relevant Milestone is not achieved within 5 years of the Commencement Date, then each Performance Share in that class will be automatically redeemed by the Company for the sum of \$0.0000001 within 10 business days of non-satisfaction of the Milestone.
- (m) **(Conversion procedure):** the Company will issue the Holder with a new holding statement for any Share issued upon conversion of a Performance Share within 10 business days following the conversion.
- (n) **(Tranches):** Performance Shares issued to a Holder may be converted in tranches at the request of the Holder subject to paragraph (j).”



**STRUCTURAL  
MONITORING  
SYSTEMS**  
plc  
ARBN 106 307 322

### Lodge your vote:

  **Online:**  
www.investorvote.com.au

 **By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) www.intermediaryonline.com

### For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

## CDI Voting Instruction Form

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### Vote online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



### Your access information that you will need to vote:

**Control Number: 181702**

**SRN/HIN:**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 11:00am (WST) Saturday, 4 August 2018**

### How to Vote on Items of Business

Each CHESS Depository Interest (CDI) is equivalent to one share of Company Common Stock, so that every 1 (one) CDI that you own at 4 August 2018 entitles you to one vote.

You can vote by completing, signing and returning your CDI Voting Instruction Form. This form gives your voting instructions to CHESS Depository Nominees Pty Ltd, which will vote the underlying shares on your behalf. You need to return the form no later than the time and date shown above to give CHESS Depository Nominees Pty Ltd enough time to tabulate all CHESS Depository Interest votes and to vote on the underlying shares.

### Signing Instructions


**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the Australian registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Only duly authorised officer/s can sign on behalf of a company. Please sign in the boxes provided, which state the office held by the signatory, ie Sole Director, Sole Company Secretary or Director and Company Secretary. Delete titles as applicable.

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE**   
**or turn over to complete the form**

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

# CDI Voting Instruction Form

Please mark  to indicate your directions

## STEP 1 CHESSE Depository Nominees Pty Ltd will vote as directed


**XX**

### Voting Instructions to CHESSE Depository Nominees Pty Ltd

I/We being a holder of CHESSE Depository Interests of Structural Monitoring Systems PLC hereby direct CHESSE Depository Nominees Pty Ltd to vote the shares underlying my/our holding at the Extraordinary General Meeting of Structural Monitoring Systems PLC to be held at The Exchange Tower, Level 8, 2 The Esplanade, Perth, Western Australia on Tuesday, 7 August 2018 at 11:00am (WST) and at any adjournment or postponement of that meeting.

By execution of this CDI Voting Form the undersigned hereby authorises CHESSE Depository Nominees Pty Ltd to appoint such proxies or their substitutes to vote in their discretion on such business as may properly come before the meeting.

## STEP 2 Items of Business

 PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing CHESSE Depository Nominees Pty Ltd or their appointed proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Approval of issue of Securities to Andrew Chilcott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval of issue of Securities to Terry Walsh	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Performance Rights to Terry Walsh	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Performance Shares to Octus Aerospace Solutions or its Nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_