



Letter from the Executive Chairman

Structural Monitoring Systems Plc (“SMS” or “the Company”) (ASX: SMN) is a great company with a bright future. We have ground breaking technology supported by great employees. We are presently navigating some legacy board issues and I plan to lead the Company through this period quickly so we can focus our energies on commercialising our technology.

As you know, on 8 July 2022, the Company received a request from Drake Private Investments LLC (**Drake Private**), for the Company to call a meeting of shareholders pursuant to section 168 of the Companies Act 2006 (UK) (**Requisition**).

We would like to inform shareholders of the Company’s position in relation to the Proposed Requisition, its legal basis and the intentions of the Board at this time.

It is important to note that at the time of receipt of the Requisition, the Company had no record that Drake Private held CDIs in the Company, or the number of CDIs they held. This evidence was provided by Drake Private on 19 July 2022 (in the substantial shareholder notice) and on 22 July 2022 (in subsequent correspondence).

Persons with interests in shares are required by law to promptly inform shareholders and the Company of their interests as a substantial holder and it appears Drake Private failed to do this on the above date and only did so on 19 July 2022. We are glad this issue has now been rectified.

In relation to Company leadership, the Board is open to reasonable discussion, and we are listening to the concerns of all shareholders. The Chair has held discussions with Drake Private on this issue and will continue to do so over the coming weeks.

In relation to the Proposed Requisition, it does not meet the basic and fundamental requirements of the Articles or the relevant United Kingdom statutory requirements and the Company is therefore under no obligation to call a general meeting in response. Indeed, we believe that calling a general meeting at this time, especially when not legally required to do so, risks accusations of negligence and unnecessary wastage of Company resources that would be required to prepare for, call and run a meeting. The Board would prefer not to expend the resources and time of a growth-focused company on mid-year board spills and related activities, especially when it is not clear that such activity is supported by a majority of shareholders.

The board believes the Company needs a period of stability and informed and unbiased deliberation as to board composition, strategy and management.

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We believe that the most appropriate time and place to nominate new directors is prior to the next Annual General Meeting (AGM) and we encourage shareholders to allow the new board a sufficient period of time to analyse the situation and to talk to shareholders meaningfully to allow us to take a considered view of current board composition and strategy.

Between now and the AGM, the Board will review current Board composition and publish its preferred Board matrix to establish where it needs additional expertise. We will then interview potential candidates and seek to provide a balanced ticket ahead of the AGM.

Shareholders may nominate persons to become directors. Upon receipt of nominations prior to the AGM, the board will consider the nominee's skills and experience against the board's current composition, succession planning and skills matrix and exercise judgment in the interest of all shareholders.

We welcome the persons nominated by Drake Private to be part of this process. However, the Board does not believe we should rush into director selection without sufficient time to review the Board matrix and seek the best candidates available to progress the Company strategy.

It should be noted that a nominee who does not secure board approval may still seek election separate from the Board's ticket.

While Drake Private's current actions are distracting the Board, we do acknowledge the support and confidence Drake Private has shown in the Company as long-term investors and we will continue to consult with them going forward. We are committed to civil, ongoing and productive communication with all of our shareholders.

We do not intend to engage or highlight personal behaviours, correspondence or otherwise that does not provide sufficient context or relevance in relation to this matter.

We acknowledge that there has been significant change and transformation in the Company in the recent past with the resignation of a number of executives and Board members. However, we strongly believe that the new additions to both the board and management team will add significant value to the company moving forward.

We would like to take this opportunity to thank all of our shareholders for their ongoing support and ask that they allow the new board and management time to prepare and express its strategy and commence doing so with a clean slate in the best interests of the Company.

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We have a good story to tell and work to do – let's focus on the positive and move our Company forward.

Yours sincerely,

A handwritten signature in black ink that reads "Ross Love".

Ross Love
Executive Chairman
Structural Monitoring Systems plc

P: +61 418 752 867

E: r.love@smsystems.com.au

This ASX release has been approved for release by Ross Love on behalf of the Board of Directors.