

ASX Announcement

ASX: SMN

1 May 2023

An update from the Executive Chairman

Structural Monitoring Systems Plc (“SMS” or “the Company”) (ASX:SMN) would like to provide the following update to the market regarding the additional testing required for the Aft Pressure Bulkhead (APB) application by the Federal Aviation Administration (FAA) as referred to in the Company’s quarterly statement released on Friday April 28.

SMS Executive Chairman Ross Love commented:

“I would like to thank all shareholders who have commented on Friday’s quarterly update and to take the opportunity to acknowledge the very reasonable request for further information regarding the additional testing required for the certification as it progresses towards certification of the draft Boeing service bulletin as referred to in the Quarterly Statement released on Friday April 28.

“The additional testing, which was not anticipated by either the Boeing engineers or our own team, is in relation to the performance of the corrosion inhibiting coating applied to the CVM™ sensors.

“This coating has been tested extensively and was approved for the WiFi STC in March of last year and has performed very well on the 21 Delta aircraft that have been operating with the APB sensors for well over 12 months now,” Mr Love said.

“The Boeing Certification team, which is independent of the Boeing engineers working with us on the APB application, and as part of the final step in their approval of the draft service bulletin, have requested this additional test because, we are advised, they wanted to be 100% sure there was no issue on this new application. Not because they had identified any particular issue of concern.

“We are very confident the testing will satisfy their requirements and that the draft service bulletin will proceed to the FAA for their final approval as expected.

“Given the number of times we have been assured, and then communicated to you, expectations of the timing of the FAA certification I am reluctant for those reasons to offer a new date at this point in time.

“We have however been advised over the weekend of April 29 and 30 to expect this recent development to add weeks, rather than months, to our earlier expectations provided to market of an expected certification before the end of Quarter 2 2023.

“Although this is frustrating for all of those involved including our shareholders, it is not in fact material to the ongoing progression of the sales process with other potential aviation customers for this application, which is already well underway.

“Many of these potential customers are already engaged with us regarding the consideration of this latest application.

“However, as we know, the installation program, is dependent on gaining access to the relevant aircraft during a scheduled heavy maintenance check and will take several years to complete.

“Delta, for example, is progressing to install the sensors on the remainder of their relevant fleet of 71 aircraft at a rate of approximately four aircraft per quarter.

“Our target is to penetrate 75-80% of the relevant fleets which are young enough and operated by airlines with sufficient scale to engage in the program over a period of 5 years – equating to approximately 500 installations at a rate of 100 installations per year at full scale.

“We are meanwhile working with a number of other airlines, and both Boeing and Airbus, on the next set of applications for our sensors and are confident that the certification process will accelerate with each new application.

“We have seen more momentum for our commercialisation program with each month this year and expect that to continue throughout the course of 2023 and beyond.

“Thank you for your ongoing interest and patience in this matter and I look forward to keeping you updated as we progress towards FAA certification and the path towards full commercialisation of this technology.”

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

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