

ASX Announcement

ASX: SMN
7 July 2023

An update from the Executive Chairman

Structural Monitoring Systems Plc (“SMS” or “the Company”) (ASX:SMN) provides the following update to the market ahead of the release of the Company’s quarterly report later this month.

SMS Executive Chairman Ross Love commented:

“I wanted to share this update with you ahead of our quarterly activity update which will follow later this month after our draft FY23 accounts have been finalised. Those accounts will show a solid result including record revenues.

“In addition, the Board met in Kelowna on June 12th and signed off on the budget for 23/24 that continues in this vein of profitable growth underpinned by sustainable cash balances.

“Essentially the business is now stabilised and can achieve its 23/24 budget forecasts without additional capital. Much of that is thanks to the increasing sales, and margins, from our Anodyne Electronics Manufacturing Corp (AEM) Intellectual Property (IP) business – but also from the modest next set of CVM™ Aft Pressure Bulkhead (APB) sales that we are now sufficiently confident of to include in the budget.

“Our AEM contract manufacturing business, while currently about half of our revenues, continues to be solid although is budgeted to decline slightly in absolute terms, and a little bit more relative to the overall revenue as we focus on higher margin AEM IP and the CVM™ business lines.

“This more stable base enables us to contemplate future capital requirements on our terms, including timing. Any future capital raised will be directly invested against growing our two most profitable business lines, especially of course our CVM™ business.

“We are investigating the value to shareholders of accelerating the development of our IP product line and the development of our CVM™ application programs. We believe we can leverage these programs to create stronger shareholder value.

“The Board is committed to maximising the value of the Company to existing shareholders in all activities undertaken and will ensure any proposals are accretive and not dilutionary to shareholder positions.

“Many of you have contacted me for an update on the APB accreditation process. Some of you remember the June 30, 2023, expectation we reported some time ago, although I have communicated subsequently that this was extended by some further testing that the certification engineers at Boeing required.

“That process continues as we speak, with several more questions being asked of the team to cover almost every possible concern from Boeing.

“We have significantly increased our testing capacity and are currently running what we hope will be the final requirements ahead of anticipated Federal Aviation Administration (FAA) approval.

“There is still some time needed for Boeing to finalise their paperwork after that before final submission to the FAA. We are doing everything we can to expedite this process, including running additional tests to answer any further questions we can anticipate, even before they are asked.

“Our team is doing a terrific job trying to coordinate (as best they can) the various steps required within and between Boeing and the FAA to complete the process – although this is all ultimately beyond our control. Even though there is significant commercial benefit for the industry in the certification of this application, perhaps unsurprisingly that is not a primary consideration for the Boeing certification engineers or the FAA – unfortunate but probably appropriate.

“For this reason, I am reluctant to share any specific timing expectations at this stage, but I will say again that nothing we are being asked to validate challenges our confidence that the certification will be achieved.

“In anticipation of the certification, the team has developed a ‘go to market’ roadmap, which identifies key airlines operating aircraft suitable for the CVM™ application. Discussions are well underway with the next set of identified customers for this application and continue to be constructive and ongoing.

“In closing I would like to say that the Board and I greatly appreciate your patience and continue to be confident that it will be rewarded.”

Ross Love

Executive Chairman

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

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