

**ASX Announcement**

ASX: SMN

6 November 2024

**Investor Webinar Presentation**

Structural Monitoring Systems Plc ("**SMS**" or "**the Company**") (ASX: SMN) is pleased to provide the attached presentation for the webinar for investors to be held on Thursday 7 November 2024 at 8:00 am AWST / 11:00 am AEDT.

Executive Chairman & CEO, Ross Love will discuss the recent \$5m share placement recently undertaken by the Company, the forthcoming SPP (which opens Tuesday, 12 November 2024) and outline the operational objectives for the Group over the remainder of the current financial year.

There will also be an opportunity for a Q&A session with Mr Love. Those wishing to register to view attend the webinar can do so via this link:

<https://loghic.eventsair.com/305553/629991/Site/Register>

A recording will be available on the SMS website as soon as practicable following the webinar.

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

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**Shareholder Enquiries**

Ross Love

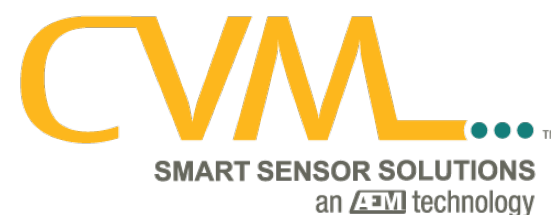
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# Structural Monitoring Systems (ASX: SMN)

Capital Raising  
Presentation





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# Executive Summary

Business Overview	<ul style="list-style-type: none"> <li>Fast growing aerospace electronics and software solution provider with world class avionics products for special mission fleet sector, and world first structural monitoring solutions for commercial and military airframes</li> </ul>
Highly experienced leadership	<ul style="list-style-type: none"> <li>Over 100 years of experience in aerospace and aviation industry.</li> <li>Notable leadership experience; Chairman Ross Love - 25+ years at Boston Consulting Group, 5 years leading BCG's airline practice, Head of BCG New York office (largest in global network) and ran the Australian and New Zealand business for multiple years</li> <li>Ross joined the company two years ago and has been a significant catalyst in the remarkable progress SMN has achieved in the last two years</li> </ul>
World Class manufacturing capability	<ul style="list-style-type: none"> <li>Certified OEM electronics and software provider</li> <li>24 Engineering staff, 119 Employees with capacity in place to achieve revenues of \$75 million</li> <li>Transport Canada approved manufacturer, JOSCAR registered supplier, and is ISO9001/AS9100D registered and certified under Canada's Controlled Goods Program</li> </ul>
Tier 1 Customers & Partners	<ul style="list-style-type: none"> <li>Long standing tier 1 aerospace customer relationships validate commitment to quality</li> </ul> <div>       </div>
Strong underlying group financial profile	<ul style="list-style-type: none"> <li>FY24 group revenue of A\$27.9m (+25% vs pcg, 22% 3yr CAGR)</li> <li>F24 group EBITDA of A\$2.0m</li> <li>Forecast group revenue for FY25e of A\$30-34m, and FY25e group adjusted EBITDA of A\$7.6-9.1m</li> </ul>
Avionics business strong track record of growth	<ul style="list-style-type: none"> <li>FY24 Revenue of A\$11.13m (+19.5% pcg)</li> <li>FY24 EBITDA of A\$2.15m (+14.1% pcg)</li> <li>FY24 revenue impacted by diversion of production capacity towards Contract Manufacturing business unit due to cash flow constraints</li> <li>Avionics addressable market expansion through product development and strategic acquisitions</li> <li>Recent certifications in new markets (reference) highlight R&amp;D capability and growth potential</li> </ul>
CVM business poised for commercialisation following anticipated FAA approval	<ul style="list-style-type: none"> <li>SMN's CVM technology has successfully met all Aft Pressure Bulkhead (APB) tests, a critical step on the path towards Federal Aviation Administration (FAA) approval</li> <li>FAA approval to unlock USD\$2m payable from Delta Airlines for work completed to date</li> <li>Commercial adoption driven by reduction in service time, triggering reduced labor costs and increased flight time</li> <li>Strong growth opportunity with 712 global Boeing B737's with ABP applications</li> <li>Scope for further CVM applications outside of APB</li> </ul>
Capital Raising	<ul style="list-style-type: none"> <li>Placement to raise approximately A\$7.2 million via a Placement and SPP at \$0.52 per New CDI. Funds will be used towards; <ul style="list-style-type: none"> <li>Continued product development and manufacturing capacity expansion for opportunities in Avionics, including digital audio, radio, and loudspeaker</li> <li>Expanded product development and business development capacity in CVM technology</li> <li>Working Capital to support growing Avionics business and costs of the offer</li> </ul> </li> </ul>



# Company Profile – Structural Monitoring Systems

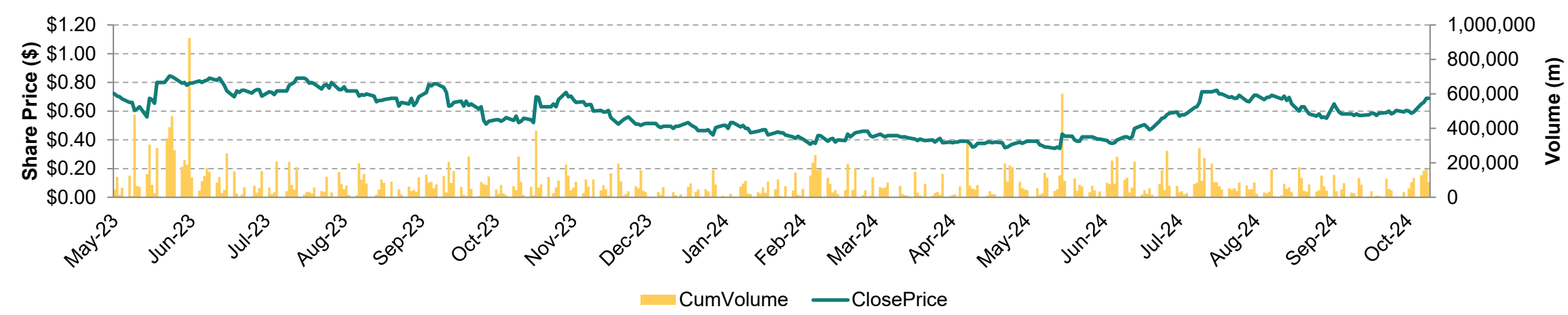
## Customers



## Strategic Partners



## SMN Share Price Chart



## Capital Structure

Current Share Price <sup>1</sup>	\$0.69
Shares on Issue (Undiluted)	137.4m
Market Capitalisation	\$94.8m
Cash at Bank (30 Jun '24)	\$1.3m
Debt (30 Jun '24)	\$6.3m
Net Debt (30 Jun '24)	\$5.0m
Enterprise Value	\$86.7m

<sup>1</sup>Share price as at 31 October 2024

## Top Shareholders

- Drake Private Investments LLC – 15.4%

## Board and Management

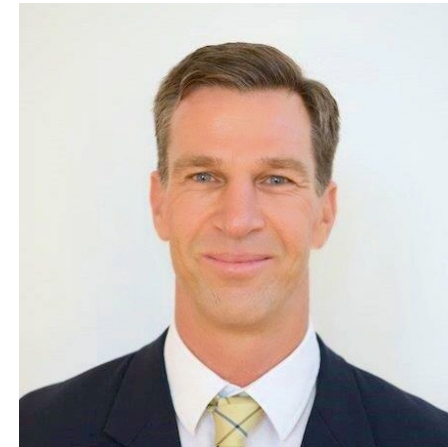
- Ross Love – Executive Chair & CEO
- Sam Wright – Non-Executive Director & Company Secretary
- Brian Wall – Non-Executive Director
- Gary Elwell – Group Chief Financial Officer
- Terry Walsh – Head of Corporate and Legal Affairs
- Georgie Sweeting – Communications
- Heinrich Loechteken – Non-Executive Director
- Trevor Lynch-Staunton – Chief Technical Officer
- Gord Gooding – AEM Chief Financial Officer
- Taylor Wylie – Chief Operating Officer

# Globally experienced commercial, and industry recognised technical, leadership



**Ross Love**  
EXECUTIVE CHAIRMAN & CEO

- 25-year career at the Boston Consulting Group (BCG) including several senior positions (1993-2018);
  - Head of BCG's New York office (largest in global network)
  - Leader of BCG's Australia and New Zealand business
  - Global head of BCG's airline practice
- Member of the WA Government Regional Trust Board (2019 – 2020)
- Chairman of the Fremantle Port Authority (2020 – 2023)
- Advisor to Andrew Forest, Chairman of the Munderoo Group (2018 -2019)
- Chief of Staff to the Premier of Western Australia (1990 – 1993)
- Bachelor of Arts (UWA), Master of Public Administration (Harvard University)



**Gary Elwell**  
GROUP CFO

- 35+ years professional experience in UK and Australia
- BA(Hons) Economics, University of Northumbria (1987)
- Associate Chartered Institute of Bankers (1989-1997)
- Associate Chartered Institute of Management Accountants (1999-present)
- CFO to multiple ASX listed entities operating across Brazil, Canada and Australia in technology and mineral exploration



**Gord Gooding**  
AEM CFO

- 30+ years as CPA in financial & leadership roles, business model development & process improvement
- Faculty of Commerce, University of British Columbia (1990)
- KPMG (1990-1995)
- 25 years CFO and CEO experience of early and mid stage public and private companies.



# Business Overview





## AEM Avionics

- Manufacture, sale, repairs and support of AEM branded Audio, Radio, Consoles and Accessory products for the aviation industry's Special Mission sector
- AEM develops reliable, customer-driven solutions, trusted by top OEMs, special mission operators and avionics service providers
- AEM's Innovative engineering capabilities, vertically-integrated manufacturing and testing techniques and industry-leading technical product support are differentiators
- FY24 Revenue: AUD\$11.13m (+19.5% vs pcp)
- Gross margins ~68%
- FY24 Segment EBITDA: AUD\$ 2.15m

### Key Customers;

Bell, Boeing, Leonardo Helicopters, Airbus Helicopters, and Sikorsky

### Key Competitors;

Becker Avionics, Canyon AeroConnect, PS Engineering, Powersonix, OEM (Airbus), Jupiter Avionics and Technisonic Industries

## AEM Contract Manufacturing

- Advanced and fully integrated manufacturer of third-party products for the aviation industry's Special Mission sector
- Transport Canada approved manufacturer, JOSCAR registered supplier, and is ISO9001/AS9100D registered and certified under Canada's Controlled Goods Program
- FY24 Revenue: AUD\$16.69m (+31.4% vs pcp)
- Gross margins ~36.5%
- FY24 Segment EBITDA: AUD\$ 3.20m

### Key Customers;

Canyon AeroConnect, and SKYTRAC

### Key Competitors;

Well diversified industry with a magnitude of participants

## AEM CVM™

- Proprietary Comparative Vacuum Monitoring (CVM™) sensor technology and equipment
- CVM™ is the first FAA approved airframe crack detection compliance sensor solution for use on select 737 aircraft.
- Developed in collaboration with Delta Air Lines and Boeing.
- Installed on 45 of Delta's 71 737 targeted aircraft fleet.
- Several additional Boeing and Airbus applications in the development pipeline.

### Strategic Partners;

Boeing, Delta Air Lines, and TESTIA, an Airbus Company

### Key Competitors;

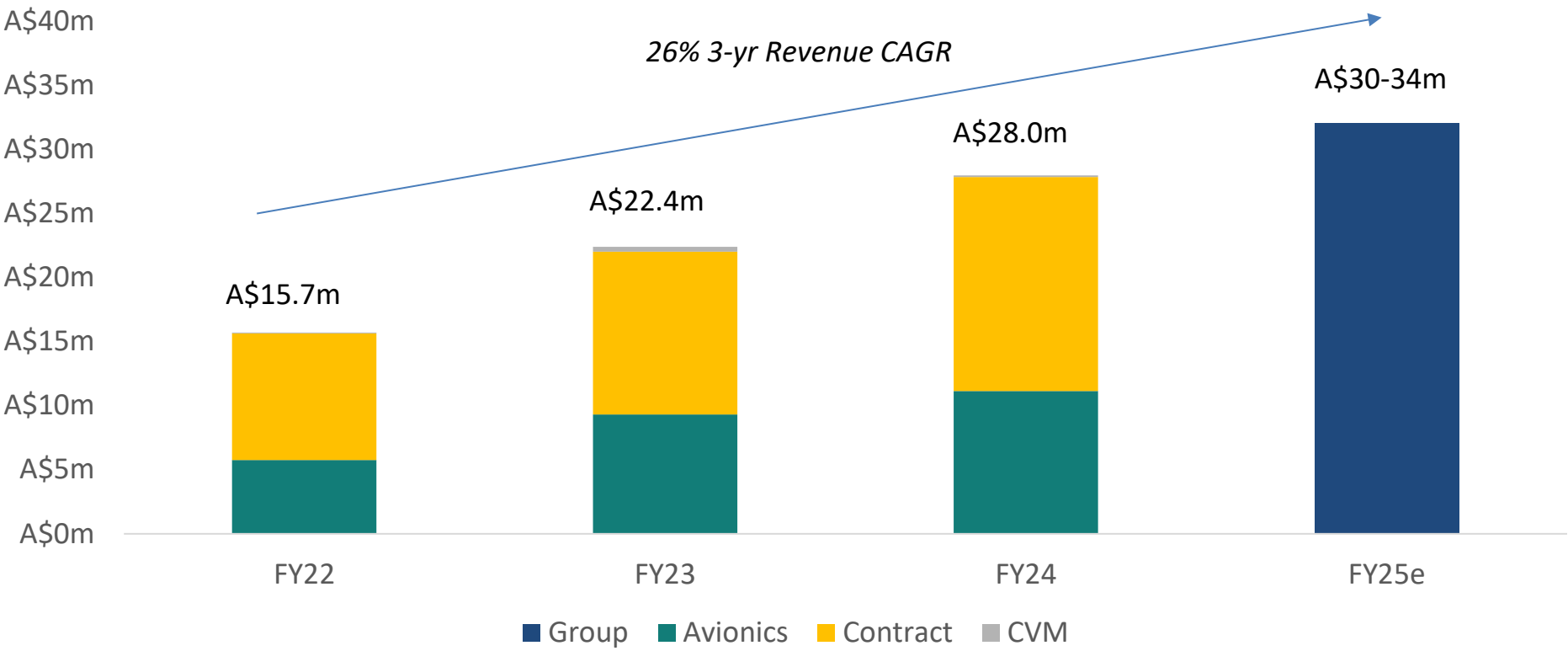
Eddyfi Technologies, and Acellent Technologies



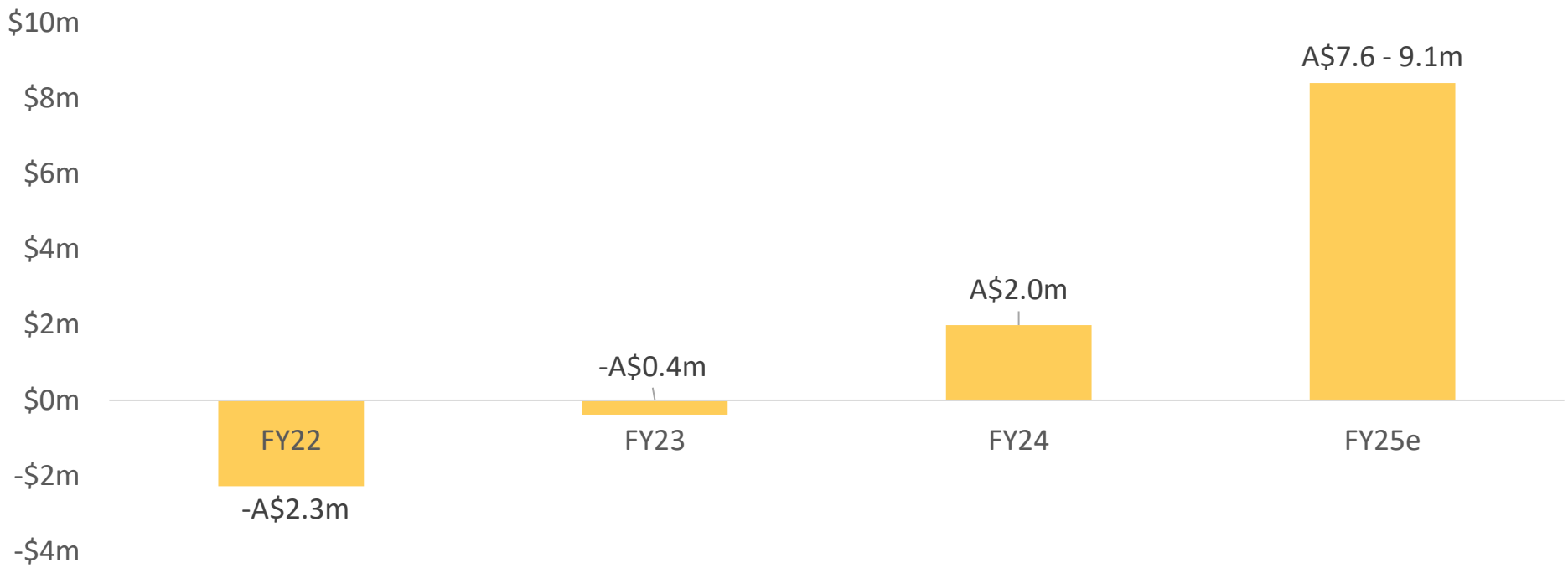
## Commentary:

- Recent growth from delivery against long-term manufacturing contracts, and new Avionics products and markets
- CVM revenues from APB application sales forecast from Q3 FY25
- FY25 revenues can exceed range with investment
- Earnings increasing with higher Avionics and CVM volumes

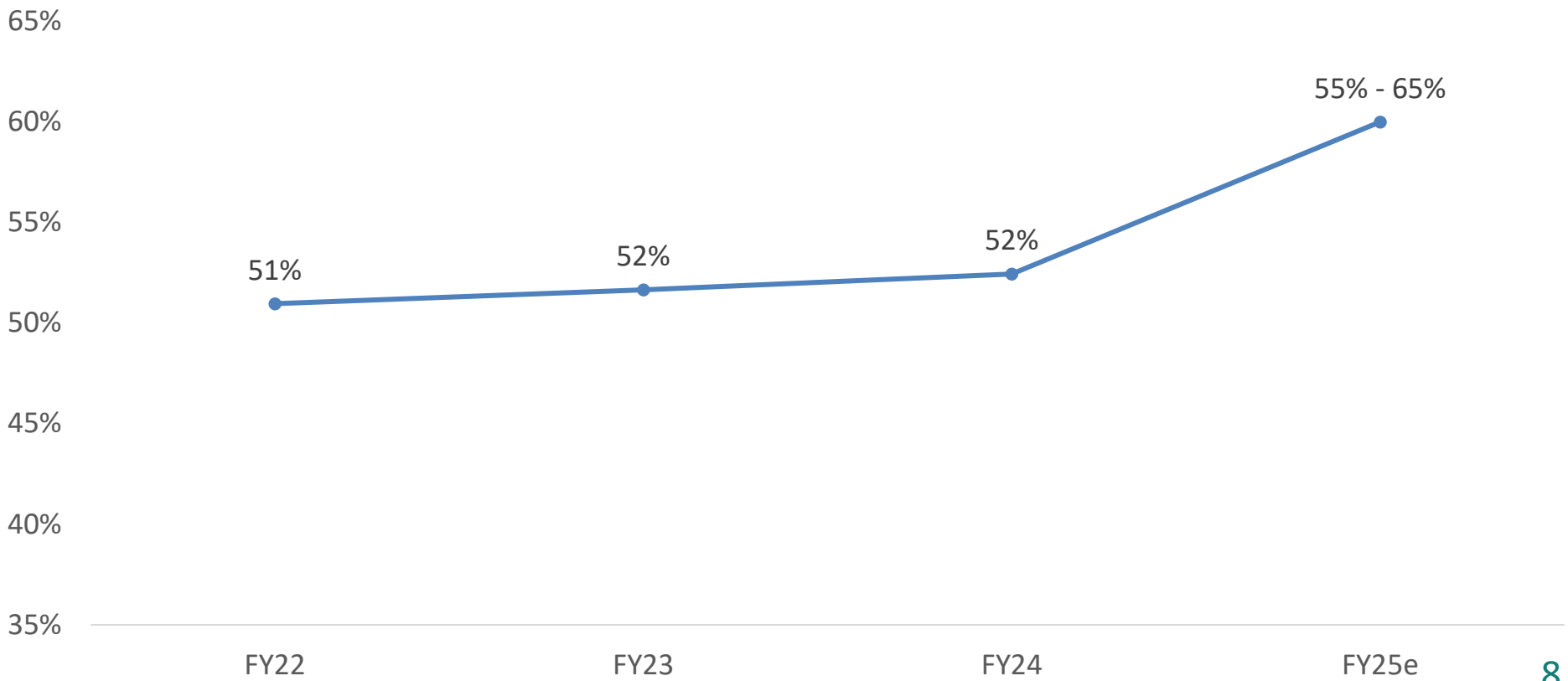
## Revenue



## Group Adjusted EBITDA



## Gross Margins





# Contract Manufacturing



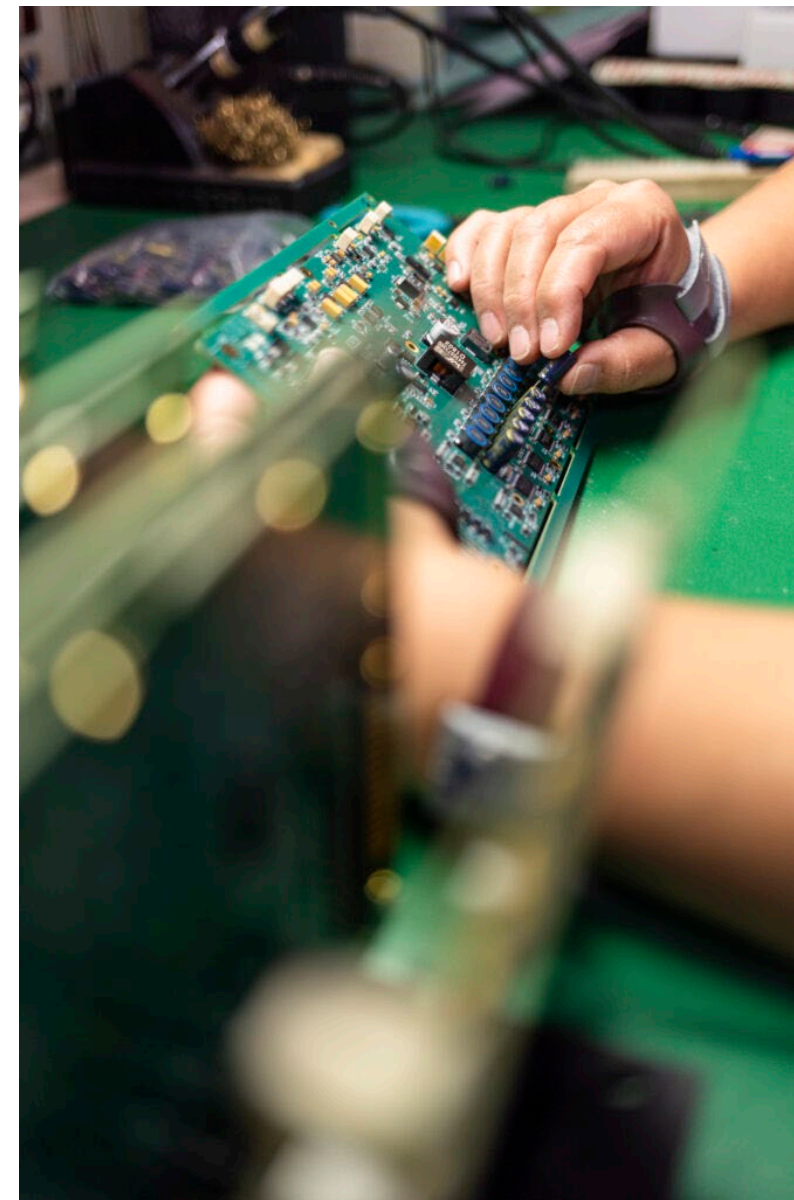


# AEM Contract Manufacturing

Advanced and vertically integrated agile manufacturer of trusted third-party products for the aviation industry's Special Mission sector, including select industry competitor products

Transport Canada approved manufacturer, JOSCAR registered supplier, and is ISO9001/AS9100D registered and certified under Canada's Controlled Goods Program

- Certified OEM Supplier
- Advanced Design & Manufacture
- Electronics & Software Engineering
- Repairs & Support
- Testing & Validation



119  
Employees

24  
Engineering Staff

3,251m<sup>2</sup>  
Vertically-integrated facility



# Avionics





AEM provides high-quality, customer-driven solutions designed to meet the unique requirements of the special mission aviation industry.

- Including aerial firefighting, law enforcement, search and rescue and airborne utility operators
- Based on unique research, design, development and manufacturing capabilities
- With products such as aircraft communication systems, avionics consoles, loudspeaker systems, specialty audio accessories, and mission radios.

## MARKET TRENDS DRIVING DEMAND:

- Technological advances in mission equipment
- Increased need for intelligence gathering
- Increased national and regional security threats
- Global rise in national disasters frequency and severity
- Rise in environmental monitoring
- Ageing fleets replaced with new aircraft
- Component obsolescence

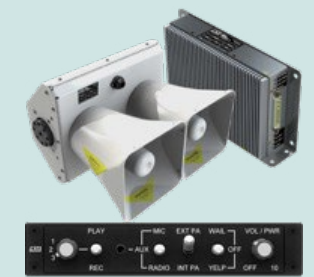
## P139-HD DIGITAL AUDIO SYSTEM

Largest and most flexible, configurable in the market, with strong demand from all special mission operators.



## LOUDSPEAKER SYSTEMS

High-performance and lightweight, certified on almost every helicopter airframe and positioned on military programs.



## AS350/H125 AVIONICS CONSOLES

Customizable, easy to install and in high demand as a user friendly replacement for many troublesome OEM units.

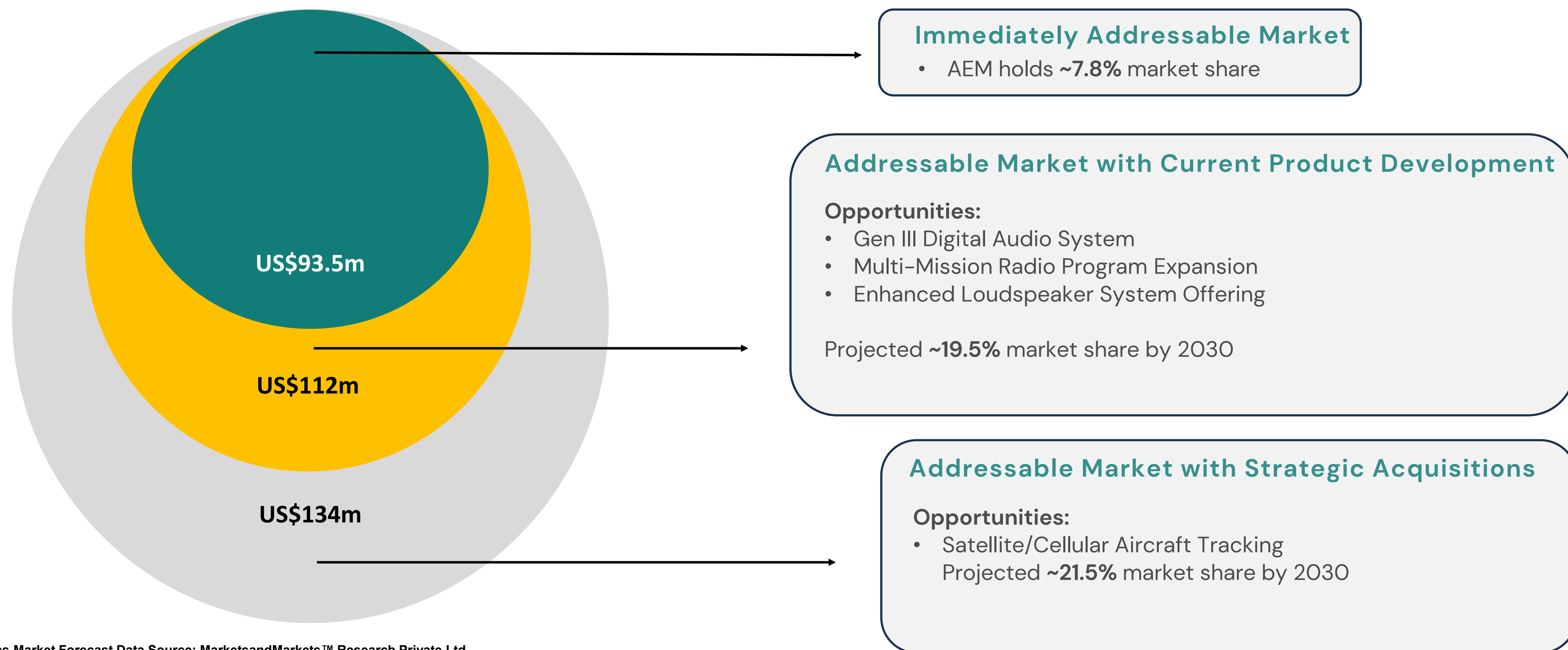


## MISSION RADIOS

Newest digital technology and design to ensure high performance in demanding environments.







\*Avionics Market Forecast Data Source: MarketsandMarkets™ Research Private Ltd.



# Many New Products and Market Development Initiatives Underway



Continued product development and innovation.



	MISSION AUDIO	LOUDSPEAKERS	AS350/H125 CONSOLES	MISSION RADIO
Current product	P139-HD Gen II audio system is the most flexible and powerful mission audio system in its class	AEM is the leading airborne loudspeaker system provider with currently only one minor competitor	AEM is the only solution provider outside of Airbus for the troublesome OEM console	MTP136D US Forest Service (USFS) radio
Products in development	Expanding Gen III audio development will further elevate our product offering over the competition, future proofing our installed system base and gaining increasing influence at the lucrative OEM and institutional operator level. Current system being constantly upgraded in the meantime.	Continuing developing of already market leading leading loudspeaker solutions, with further weight reductions, increased output performance, and improvements in structural integrity.	Exploring direct factory installations for new aircraft with OEM Airbus Helicopters	Industry-leading aerial firefighting radio for US Forest Service as the first of a larger suite of multi-mission radio solutions which will compete strongly against the current rival market leader, Technisonic Industries.



## Growing global footprint

- US/Canada
- Eastern Europe
- Brazil
- Japan
- India
- Eastern Africa



## Acquisitions

AEM is actively identifying acquisition targets in complementary technologies to broaden our solution suite.





# CVM™





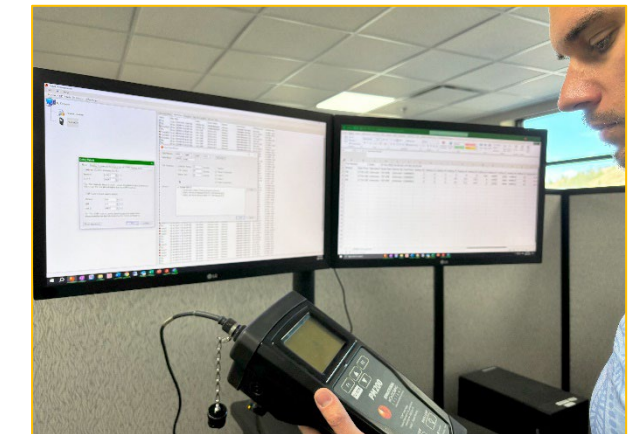
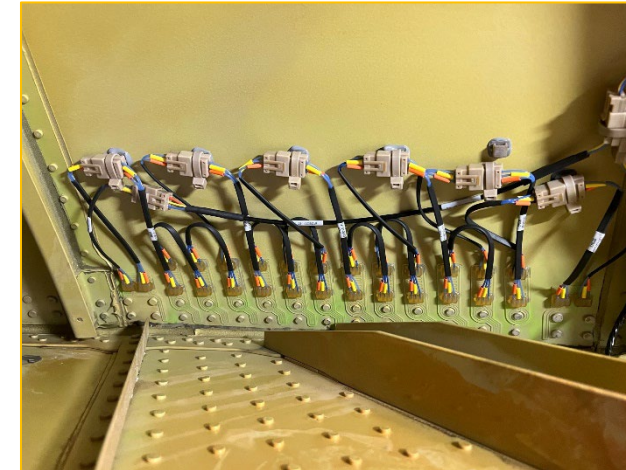
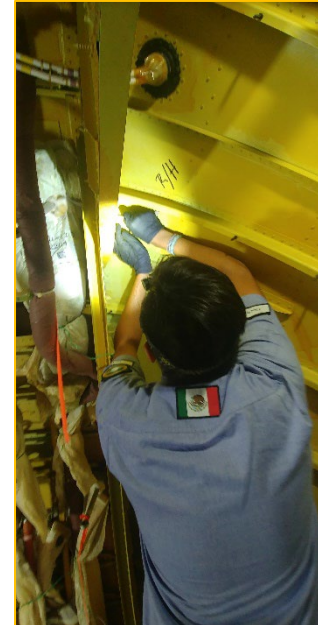
# What is CVM™ Smart Sensor Solutions?

- Comparative Vacuum Monitoring (CVM™) is the first technology to become commercially available, and FAA certified, to significantly reduce costs associated with airframe structural health monitoring inspections at heavy and out-of-sequence checks.
- Maximizes scheduled maintenance program efficiencies, reduces downtime, and restores thousands of flight hours across entire fleet networks.
- CVM™ has been designed and developed for more than 15 years, working in partnership with several major industry airlines and OEMs.
- Airline operator adoption of CVM™ technology has occurred & routine use is underway.
- FAA certification process has been established to streamline future applications.
- At the forefront of the move to predictive, remote and automated non-destructive testing.





# How does the technology work?



## Design

- CVM Sensors use vacuum galleries to detect microscopic surface cracks on critical airframe components where fatigue is expected or frequent inspections are required

## Install

- CVM Sensors are installed in hard-to-access locations inside the airframe, eliminating significant maintenance time and cost for frequent inspections with the current LFEC technology

## Connect

- An array of sensors is linked to a single outlet in an accessible location for easy inspection with the PM200, a hand held diagnostics device developed by SMS

## Test

- The device applies vacuum pressure to the sensors in a 10-15 minute test. If vacuum is maintained, no cracks exist. Otherwise a crack may exist and further investigation is required

## Analyse

- The PM200 stores all test results for subsequent analysis, including future applications for dynamic predictive maintenance which will further improve maintenance productivity and reliability



# Delta Air Lines' 737 Aft Pressure Bulkhead Application Benefits

CVM™ Smart Sensor Solutions already installed on 45 of Delta's 71 aircraft fleet of 737 NGs



**950**

Flight Hours Restored

**111**

Flight Days Gained

**426**

Labor Hours Avoided

PROJECTED ANNUAL APB APPLICATION BENEFITS ACROSS 737NG FLEET OF 71 AIRCRAFT

Source: Delta Air Lines

CVM™ could be an airframe maintenance game changer, moving unscheduled actions to scheduled maintenance.

**DAVID PIOTROWSKI**

*DELTA AIR LINES, SENIOR PRINCIPAL ENGINEER*



1

SUBSTANTIAL  
COMMERCIAL  
FLYING (GREEN)  
TIME RESTORED  
TO THE NETWORK  
FROM MAINTENANCE  
PROGRAM

- 950 scheduled hours per year, every year, for Delta Air Line’s 71 B737 NGs (from a single APB application).

2

MAINTENANCE  
PLANNING  
IMPROVED & COSTS  
REDUCED

- Crack detection tests anytime, at the gate, in fewer than 20 mins.
- Eliminates complexity from heavy checks.

3

QUALITY  
CONTROL

- Eliminates false positives (15%) and human error from current checks.

4

CONDITION-  
BASED  
MAINTENANCE

- First, likely of many, condition-based monitoring for airframe structures.

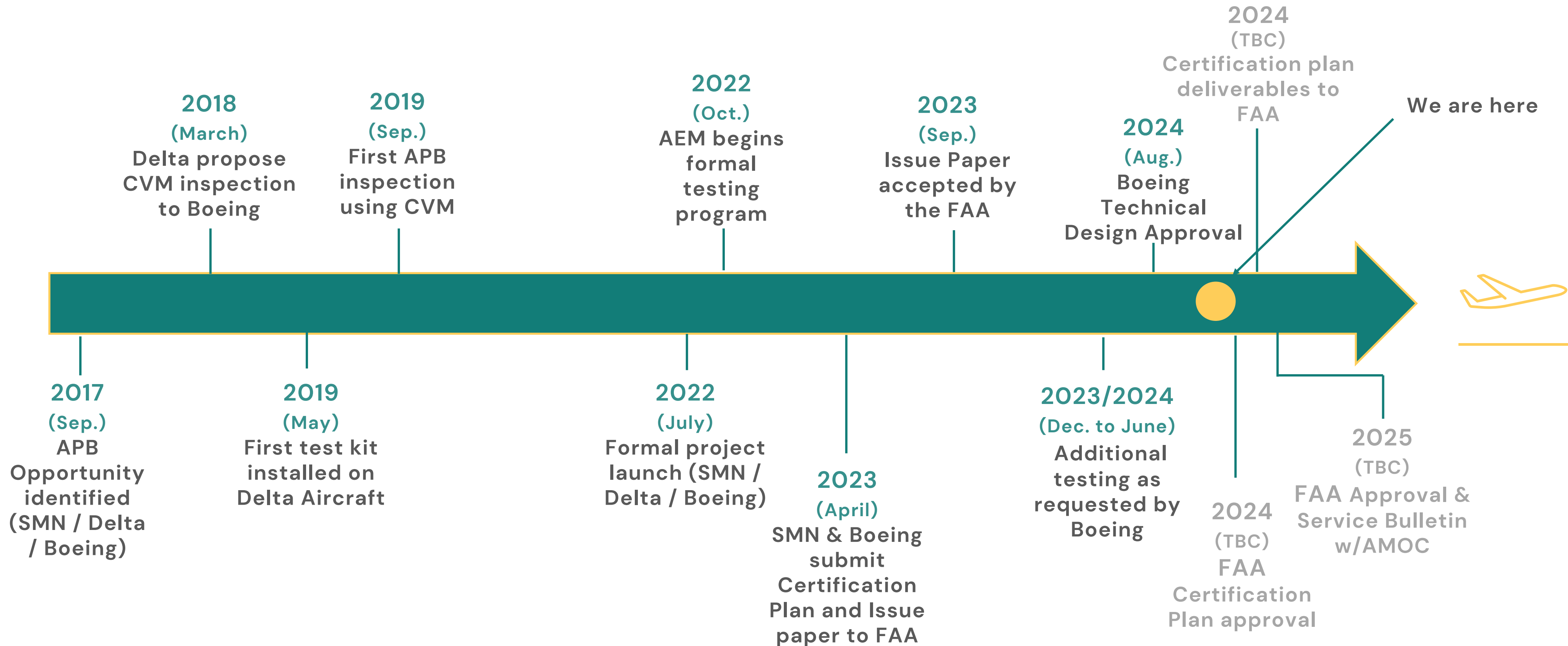


Target B737 NG fleet for  
ABP application

AIRLINE	FLEET SIZE
Southwest Airlines	255
United Airlines	146
American Airlines	75
Delta Airlines	71
Alaska Airlines	29
Qantas	28
Jet2.com	28
Sun Country Airlines	27
WestJet	27
SunExpress	26
TOTAL	712



# 737 Aft Pressure Bulkhead: At a critical inflection point in the program's history





## 1 Further A320 & B737 (narrow-body) applications

Working with strategic partners SeaTec, Delta Air Lines and United Airlines, commercially validate the following findings:

- 10+ identified A320 applications
- Grow B737 application suite and offerings

AIRCRAFT	2023	2032
A320	9,000	16,000
737	8,200	13,000
Other	9,000	10,500

2 Growing design and testing capacity, developing alternative accreditation strategies and incorporating new technologies.

3 Entering new aerospace sectors (freighters, military).

4 Exploring new industry applications (civil infrastructure, oil and gas).



# Growth Catalysts and Outlook





## AEM Avionics & Contract Manufacturing

### **CAL FIRE order for Forest Radios confirmed** (expected Q3 FY25)

- Potentially 150 units with a contract value of over \$2m USD

### **US Forest Service final certification Forest Radio** (expected Q3 FY25)

- opens access to US contract aerial fire fleets (approx. 800 aircraft)

### **Gen III Software Platform Development Launched** (expected Q3 FY25)

### **Acquisition evaluations completed** (Q3 FY25)

- initial complementary communications and manufacturing targets in discussion

## AEM CVM™

### **FAA Certification of ABP application** (expected Q3 FY25)

- triggers Delta contractual payment (current value USD\$2m)
- conclusion of commercial negotiations with United (146 aircraft)
- commencement negotiations with Southwest (255 a/c), American (75 a/c), and balance of target fleets (240 a/c)

### **Formal commitments to SMS/Boeing/Delta plan for next applications** (Q3 FY25)

- including first military application
- leading to generic certification

### **Next steps with EASA, Airbus and Lufthansa** (Q3 FY25)

- with SMH commercial partner Testia (Airbus subsidiary)

### **Next steps with identified commercial partners in Asia** (Q3 FY25)

- Including Japan, China and Singapore

### **Acquisition evaluations completed** (Q3 FY25)

- Initial complementary sensor target in discussion



# Capital Raising Overview





# Capital Raising Overview

Placement	<ul style="list-style-type: none"> <li>A Placement to sophisticated and professional investors of ~\$5.2m, comprising; <ul style="list-style-type: none"> <li>The issue of approximately 9.6 million new CHESS depositary interests over shares of common stock in the Company (“<b>New CDIs</b>”) under the company’s existing placement capacity per LR7.1 to raise approximately \$5.0m (“<b>Placement</b>”); and</li> <li>The issue of approximately 0.32m New CDIs to Directors of SMN to raise approximately \$0.2m (“<b>Director Placement</b>”). The Director Placement is conditional on shareholder approval at the Company’s Annual General Meeting (“<b>AGM</b>”), to be held in December 2024.</li> </ul> </li> </ul>
Security Purchase Plan	<ul style="list-style-type: none"> <li>SMN will offer Eligible Securityholders the opportunity to participate in a non-underwritten Security Purchase Plan to raise up to A\$2.0 million (“<b>SPP</b>”)</li> <li>Eligible securityholders in Australia and New Zealand will be invited to subscribe for up to \$30,000 of new CDIs free of any brokerage, commission and transaction costs at the same price as the Placement.</li> <li>SMN reserves the right to increase the size of the SPP or to scale back applications in its absolute discretion</li> <li>Further details in relation to the SPP including the timetable will be provided to eligible shareholders in an SPP booklet expected to be released following the Placement</li> </ul>
Offer Price	<ul style="list-style-type: none"> <li>New Shares issued under the Placement and SPP will be issued at a price of \$0.52 per new share (“<b>Offer Price</b>”), representing a: <ul style="list-style-type: none"> <li>24.6% discount to the last close price on 31 October 2024 of \$0.69</li> <li>20.0% discount to 5 trading day VWAP of \$0.65</li> </ul> </li> </ul>
Attaching Options	<ul style="list-style-type: none"> <li>Shares will be offered under the Placement and SPP with three (3) free attaching options for every four (4) New Shares issued (“<b>Attaching Options</b>”).</li> <li>The Options are intended to be listed on the ASX with an exercise price of \$0.78 and will expire on 30 November 2027.</li> <li>The Attaching Options are intended to be listed on the ASX subject to satisfying ASX quotation requirements.</li> </ul>
Use of Funds	<ul style="list-style-type: none"> <li>Continued product development and manufacturing capacity expansion for opportunities in Avionics, including digital audio, radio, and loudspeaker</li> <li>Expanded product development and business development capacity in CVM technology</li> <li>Working Capital and Costs of the Offer</li> </ul>
Ranking	<ul style="list-style-type: none"> <li>All New CDIs issued under the Offer will rank equally with existing SMN CDIs from the date of issue</li> </ul>
Lead Manager	<ul style="list-style-type: none"> <li>Bell Potter Securities Limited (“Bell Potter”)</li> </ul>



# Offer Timetable

Indicative Capital Raising Timetable <sup>1</sup>	Date
Trading Halt, Bookbuild Opens	Friday, 1 November 2024
Announcement of Capital Raising and Trading Halt Lifted	Tuesday, 5 November 2024
Record Date for the SPP Offer	7pm (AEDT), Monday, 4 November 2024
Settlement of Placement	Friday, 8 November 2024
Allotment of New CDIs under the Placement	Monday, 11 November 2024
Open of the SPP Offer	Tuesday, 12 November 2024
Close of the SPP Offer	Tuesday, 3 December 2024
Announcement of results of the SPP Offer	Friday, 6 December 2024
Allotment of New CDIs under the SPP, SPP Options and Placement Options	Tuesday, 10 December 2024

<sup>1</sup>The timetable is indicative only and subject to change by the Company and Lead Manager, subject to the Corporations Act and other applicable laws.



# Appendix





# Experienced & Committed Board of Directors, Executives, and Advisors



**Ross Love**  
EXECUTIVE CHAIR & CEO

25+ years management consultant & former Senior Partner and Global Head of BCG's Airline Practice.



**Brian Wall**  
NON-EXECUTIVE DIRECTOR

35+ years leadership experience, retired AEM CEO, and commercial pilot.



**Sam Wright**  
NON-EXECUTIVE DIRECTOR &  
COMPANY SECRETARY

20+ years in administration of ASX listed companies, corporate governance and corporate finance.



**Heinrich Loechteken**  
NON-EXECUTIVE DIRECTOR

Senior Vice President of International Lease Finance Corporation (ILFC), with extensive aviation and corporate finance experience.



**Gary Elwell**  
GROUP CFO

20+ years in senior accounting roles with Australian & UK public companies.



**Terry Walsh**  
HEAD OF CORPORATE  
& LEGAL AFFAIRS

Experienced corporate counsel, led firms such as Hancock Prospecting Pty Ltd and Rio Tinto Limited.



**Georgie Sweeting**  
COMMUNICATIONS

20+ years in journalism and corporate communications consulting.



**Gerald Edelman LLP**  
AUDITOR



**Gadens Lawyers**  
LEGAL ADVISORS



# Boeing has been a Strategic Development Partner for 20 Years



In collaboration with Boeing, CVM™ was the first FAA approved airframe crack detection compliance sensor solution for use on select B737 aircraft.

Boeing certification engineers have worked in lockstep with AEM to develop, test, and seek FAA approval of its Service Bulletin for the B737 Aft Pressure Bulkhead (APB) application.

## BOEING-SUPPORTED CVM™ APPROVALS

- FAA approved sensor solution for use on the center wing box, front spar shear fitting
- Intelsat (Gogo) Wi-Fi antenna as an alternative method of inspections for structural health monitoring
- FAA published an Issue Paper (IP) on Structural Health Monitoring that identifies the use of CVM™ to reliably detect airframe damage for compliance





# Risks & Foreign Selling Restrictions





# FOREIGN SELLING RESTRICTIONS

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (New Zealand) (the “FMC Act”).

The New Shares 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:

is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;

meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;

is large within the meaning of clause 39 of Schedule 1 of the FMC Act;

is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or

is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

## Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the “SFO”). Accordingly, this document may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to “professional investors” (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

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## Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore.

Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (the “SFA”) or another exemption under the SFA.

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# Risks

Risk	Description	Assessment	Mitigation
Market	Economic conditions, inflation, geopolitical	SMS/AEM sells critical avionics equipment to Special Mission Fleets(often Government owned or funded) performing essential public safety services, and cost effective safety compliance equipment and services to commercial, and in the future military, aircraft operators	We believe these market segments are relatively sustainable through all but the most extreme economic and geopolitical threats. Our current customer and supply base is predominantly North American (Canada and the US) and our emerging global customers are predominantly located in Europe and other developed countries
Competitive	Including IP	Our core CVM sensor technology is unique and protected by various know-how and trade secrets, Trademarks, copyrighted technical drawings, technical manuals regulatory approvals and patents. We have 12 patents including three that we regard as fundamental and which expire in 2028 and 2029	We continue to invest in new patentable technology, including two (for the APB application) which we propose to initiate ahead of APB certification. Certification of our CVM applications is specific to our products and relies on on our testing data, and we hold sole certification authority for installation and operational training. We are also seeking to extend that protection through delegated certification authorities in Canada and the US.(and this is a priority for new investment.)
		There are other emerging structural monitoring technologies (PZT, Phased Array)	None of these technologies are close to commercial application, and none are even in operational trials. In the worst case, our sensors will be a transition solution for these potential solutions (in the uncertain event they are ever certified) for at least 10 years, and will likely be a more cost-effective ongoing solution for many applications.
		Our Avionics products are also proprietary and subject to brand specific certification	We continue to invest in new propriety products and platforms, as well as delegated certification authority
		Competitors	In our highly specialized, and relatively small, industry sectors there are few existing and likely potential direct competitors and in Europe and Asia we are seeking binding commercial agreements with the most likely potential competitors



# Risks (continued)

Risk	Description	Assessment	Mitigation
Financial	Cashflows, future funding requirements, credit risk, currency	As a specialized R&D and manufacturing company experiencing high growth in sales revenue, we have increasing working capital requirements	We are progressively increasing our debt provision to support this growth, within conservative debt to equity ratios. Additional equity investments will allow us to increase these debt levels appropriately
			As in the current time period, we always target a sustainable (self-funded) baseline budget sso any additional investment is focused on further profitable growth (and value.)
		Currency exposure is low given high revenue and and cost (especially materials) percentages denominated in USD	All new R&D investments are based on positive business cases, which are constantly assessed and updated  We believe our highly skilled workforce and relatively low operating costs in Canada are a sustainable competitive advantage
Management/ key person	Retention, capability and change	As a small company we are especially reliant on less than 3 key researchers, and 7additional key executives	All of our key people are subject to attractive and retention oriented stock grant and performance rights under our shareholder approved ESOP



# Risks (continued)

Risk	Description	Assessment	Mitigation
Operational	Internal process	We operate in a demanding technical environment and employ extensive Quality Assurance standards and processes	We constantly monitor failure rates and undergo audits require by our certifications and our status as a tier one supplier to many of the worlds leading global aerospace companies
ESG	Employment, Governance, Environmental Sustainability and Social Responsibility	Despite our size we meet or exceed all relevant Canadian ESG standards. We believe we are highly regarded in our local community, as evidenced by our Best Big Company business award in 2023 from the Kelowna Chamber of Commerce	Maintaining our Tier One supplier status, especially with leading customers like Airbus continues to drive higher standards