



OPERATIONS UPDATE, PLATFORM EXPANSION & APPOINTMENT OF KEY HIRES

OPERATIONS UPDATE:

Structural Monitoring Systems plc ("SMS" or "the Company") is pleased to reaffirm that the recent acquisition of Anodyne Electronics Manufacturing Corporation ("AEM") has provided SMS with a fully integrated R&D and manufacturing platform. SMS now fully controls and oversees the critical manufacturing, engineering, R&D and quality assurance functions related to the Company's CVM™ technology platform – coinciding with the commencement of SMS's full global commercial rollout of CVM™ to major aerospace OEMs and airlines. The process of identification and formal approval for multiple applications, on multiple aircraft types with multiple airlines, is now well underway.

The clear path, and proximity, to significant revenue has allowed the Company to accelerate several key operational and platform decisions:

1- Significantly expand CVM™ manufacturing capacity at AEM

Sensor production capability at the AEM facility is currently limited to approximately 500-600 sensors per month, due primarily to a lack of clean-room capacity and floor area. The Company will increase sensor production capacity to, initially, *approximately 2,000 sensors per month* through:

- 1- significantly expanding the footprint area of the production clean room,
- 2- purchasing a new, state-of-the-art laser machine used to manufacture the sensors. The cost of this machine is approximately C\$40,000,
- 3- the identification and on-boarding of additional CVM™ equipment line-production staff which will effectively treble current production staff headcount, and
- 4- the identification of additional primary materials and parts suppliers to provide full redundancy back up and eliminate potential bottle-necks that could negatively impact "in-house" production capacity.

With these core changes implemented over the next 90 days, estimated top-line monthly sensor revenue will increase to *several US\$-million per month*, and as a clear demonstration of the previously highlighted operating leverage the Company enjoys, this revenue capability will be achieved with a *total capital investment of less than \$C200,000*. SMS firmly believes that the immediate planning and integration of the measures above is essential to satisfying projected industry demand for CVM™ sensors and related equipment in 2018 and beyond.

- 2- **Key staff additions at AEM.** The Company is engaged in a formal search for a senior level engineer reporting directly to Trevor Lynch-Staunton. Trevor is SMS Canada's Chief Technical Officer overseeing all facets of CVM™ equipment production within AEM. Such a hire is critical, given the increasing workload stemming from the commercial roll-out phase for CVM™. The addition of a key engineer to the platform will not only support the critical maintenance of sensor quality and production targets, but will also provide for greatly enhanced engineering, design and technical



sales support – and, of paramount importance, provides additional critical “key man” redundancy. As stated above, SMS will also be adding and/or rotating existing AEM operational production staff (as required) to support the overall CVM™ manufacturing platform.

3- Key staff additions at SMS – Executive Vice President of Global Sales & Marketing, and Head of Corporate and Legal Affairs

The Company is pleased to report that it has hired a key global aerospace executive as the Executive Vice President of Global Sales and Marketing.

The senior-level executive has a highly accomplished three-decade career track of strategic and tactical leadership in the management of advanced technology aircraft and technical operations within the airline industry. He has proven expertise in negotiating Airframe and Engine Maintenance MRO agreements, sales/trade agreements, purchase agreements, aircraft lease agreements, and cultivating key vendor, customer and government regulatory relationships. Previous work experience includes Senior Vice President at International Lease Finance Corporation (“ILFC”) responsible for the Company’s global Technical Services Department which interfaced with airlines maintenance and engineering providers and regulatory authorities around the globe for aircraft and engine-related issues. ILFC was the world’s largest aircraft lessor by value, and primarily leased Boeing and Airbus aircraft to all major airlines worldwide.

Key Career Highlights:

- Oversaw a commercial aircraft portfolio of nearly 1,000 aircraft for ILFC. Managed fleet growth assets valued at US\$46 billion at its peak, which generated revenue of approx. US\$4 billion annually. Grew personnel from 4 to 150+, including a worldwide network of 85+ consultants. Opened offices in Amsterdam, Dublin, Singapore, San Francisco and Dallas.
- Directly involved in airline operator merger experience. As a key member of the executive management team which successfully executed the merger of PEOPLExpress, New York and Eastern Airlines into Continental Airlines.
- Provided executive leadership for ILFC’s global Technical Services Department, which interfaced with airlines, maintenance and engineering providers and regulatory authorities around the globe for all aircraft and engine related issues.
- Provided executive oversight of aircraft lease negotiations, purchase agreements, sales/trade agreements. Successfully led 1,000+ inter-airline aircraft transfers. Negotiated the industry’s first Boeing 787 lease and placed the first Airbus aircraft into China and the first new western built aircraft (Boeing 777) into Russia. Led team of executives to perform financial analysis and valuations supporting all aircraft and engine sales and trades.
- Negotiated and closed cost-effective agreements for more than US\$20 billion in aircraft orders with all major commercial aircraft and engine manufacturers.

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SMS is also pleased to report that it has hired Terry Walsh as a Non-Executive Director, and as Head of Corporate and Legal Affairs.

Mr. Walsh is a highly experienced corporate counsel having led legal teams at such firms as Hancock Prospecting Pty Ltd and Rio Tinto Limited (Perth). Mr. Walsh currently runs a private consultancy company, providing Board, commercial, business development and corporate advisory services. He will provide a key oversight role for the Company's corporate legal affairs including contract negotiations, IP enforcement and maintenance, regulatory oversight and corporate compliance, and any future civil interactions.

Key Career Highlights:

- Hancock Prospecting Pty Ltd – Chief Commercial Counsel and General Counsel. The role required a broad range of corporate, commercial and litigation work including the development of complex multi-\$billion infrastructure and mining projects.
- Rio Tinto Limited – Corporate Counsel. Provided corporate and commercial advice to Rio Tinto Iron Ore (RTIO) and Rio Tinto Minerals. Focus included corporate acquisitions and joint ventures, sales and marketing contracts, litigation matters and general commercial contracts.

Mr. Walsh currently serves as the Director and Chief Development Officer for Hazer Group Limited and as a Non-Executive Director of Nanollose Limited.

Admissions: Supreme Court of Western Australia in February 1995.

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