



APPENDIX 4C – MARCH QUARTERLY REPORT AND BRIEF COMPANY UPDATE

Highlights

- **SMS integrates AEM and defines a clear path to achieve significant future revenue**
- **SMS plans to boost production from 500-600 sensors per month to an initial new target of 2,000 per month**
- **SMS via AEM invests in new equipment and an enlarged clean room to help accelerate sensor production**
- **Terry Walsh appointed to Board of Directors**
- **Key global aerospace executive appointed Executive Vice President of Global Sales and Marketing**
- **Cash at bank as at 31 March 2018 was approximately \$3.444 million.**

Structural Monitoring Systems plc ("SMS" or "the Company") (ASX: SMN) is pleased to release its March Quarterly Report and 4C for the period ending 31 March 2018.

Integration of AEM accelerates CVM™ manufacturing

Following its acquisition of Anodyne Electronics Manufacturing Corporation ("AEM") in the December 2017 quarter, 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, progressed well during the March 2018 quarter.

The Company has defined a clear path to achieve significant revenue in the future as a result of the acceleration of several key operational and platform decisions. In particular, this is a result of significantly expanding CVM™ manufacturing capacity of the AEM Sensor production capability at the AEM facility.

Previously the production capability was limited to approximately 500-600 sensors per month, due primarily to a lack of clean-room capacity and floor area. The Company aims to increase sensor production capacity to, initially, approximately 2,000 sensors per month through the following measures:

- Significantly expanding the footprint area of the production clean room

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30 APRIL 2018

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- Purchasing a new, state-of-the-art laser machine used to manufacture the sensors.
- Recruitment of additional CVM™ equipment line-production staff which will effectively treble current production staff headcount
- Identifying additional primary materials and parts suppliers to provide full redundancy back up and eliminate potential bottle-necks that could negatively impact “inhouse” production capacity.

SMS will implement these changes in the June 2018 quarter. It estimates the value of sensor inventory production can potentially be increased by US\$3-4 million per month, and this capability will be achieved with a total capital investment of less than \$C200,000.

This estimated increase in the value of inventory produced by the expanded facility is not a revenue projection but an estimate of the value of the inventory at full production. 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.

Board and Management Changes

During the quarter, SMS announced the appointment of 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 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.

Mr. Walsh replaced Andrew Chilcott, who served as an independent Non-Executive Director.

In addition, SMS 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”), the world’s largest aircraft lessor by value, and primarily leased Boeing and Airbus aircraft to all major airlines worldwide. There he was 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.



Disclaimer

This announcement contains certain forward-looking statements with respect to the financial condition, operations and business of the Group and certain plans and objectives of the management of SMS. Forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms "believes", "estimates", "anticipates", "expects", "predicts", "intends", "plans", "goals", "targets", "aims", "outlook", "guidance", "forecasts", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts.

Such forward looking statements involve known and unknown risks, uncertainties and other factors which because of their nature may cause the actual results or performance of the Group to be materially different from the results or performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the political and economic environment in which the Group will operate in the future, which may not be reasonable, and are not guarantees or predictions of future performance. No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved, or that there is a reasonable basis for any of these statements or forecasts.

Forward-looking statements speak only as at the date of this presentation and to the full extent permitted by law, SMS, and their respective affiliates and related bodies corporate and each of their respective Related Parties and intermediaries disclaim any obligation or undertaking to release any updates or revisions to information to reflect any change in any of the information contained in this presentation (including, but not limited to, any assumptions or expectations set out in the presentation).

Financial Information

Any pro forma and forecast financial information provided in this announcement is for illustrative purposes only and do not represent a forecast or expectation as to the Group's future financial condition and/or performance. This document has been prepared at a time where the review of financial information contained in this presentation has not been completed and accordingly, you should only rely on any forecast or expectation as to the Group's future financial condition and/or performance that is contained in a prospectus or other offering document which may be issued by SMS in connection with any offer of SMS securities.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Structural Monitoring Systems plc

ARBN

106 307 322

Quarter ended ("current quarter")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,023	3,745
1.2 Payments for		
(a) research and development	(50)	(88)
(b) product manufacturing and operating costs	(2,135)	(2,478)
(c) advertising and marketing	(84)	(84)
(d) leased assets	-	-
(e) staff costs	(839)	(1,106)
(f) administration and corporate costs	(331)	(1,300)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(94)	(94)
1.7 Government grants and tax incentives	38	38
1.8 Other (GST)	75	75
1.9 Net cash from / (used in) operating activities	(397)	(1,292)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	(634)	(10,988)
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	(18)	(18)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(652)	(11,006)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	13,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(202)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	12,798

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,494	2,944
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(397)	(1,292)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(652)	(11,006)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	12,798

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(1)	-
4.6	Cash and cash equivalents at end of quarter	3,444	3,444

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,728	4,584
5.2	Call deposits	-	-
5.3	Bank overdrafts	(284)	(90)
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,444	4,494

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

122

Director's fees

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	2,013	284
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

HSBC Operating loan, secured at 4.45%

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	48
9.2 Product manufacturing and operating costs	2,299
9.3 Advertising and marketing	56
9.4 Leased assets	-
9.5 Staff costs	680
9.6 Administration and corporate costs	383
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	3,466

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Anodyne Electronics Manufacturing Corp	
10.2 Place of incorporation or registration	Canada	
10.3 Consideration for acquisition or disposal	CAD\$10,623,158 (approx. AUD\$11.00m)	
10.4 Total net assets	CAD\$6,430,807 (approx. AUD\$7.05m)	
10.5 Nature of business	Manufacturer of electronics products	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Company Secretary)

30 April 2018

Date:

Sam Wright

Print name:

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.