

## ASX Announcement

ASX: SMN

31 January 2025

### Appendix 4C Quarterly Update

December 2024 Appendix 4C and Quarterly Update

#### Highlights

- During this quarter the Company recorded three critical developments which will underpin its profitable growth for the foreseeable future.
- The first was a capital raise of \$8.7 million before issue costs
  - \$5.0 million from an institutional and sophisticated investor share placement
  - \$2.2 million through a Security Purchase Plan (SPP)
  - \$0.2 million director placement to Heinrich Loechteken
  - \$1.3 million share placement in early January to Drake Private Investments LLC
- As indicated in the investor presentation 80% of these funds are now available for new investment purposes
- Secondly, a substantial restructuring of operating costs within the business has released an annualised amount of over \$2.5 million which is beginning to be realised in the current quarter (Q3)
- Thirdly a successful year-end sales campaign resulted in incremental Forest Radio sales of over \$2 million
- The Company remains on track to achieve, at minimum, the lower bound of its revenue forecast for the current financial year and a positive free cash flow of more than \$2 million for the full year
- In addition, good progress is being made on the major milestones for Q3 as outlined in the investor presentation
  - In addition to the additional Forest Radio sales achieved in December, negotiations with CalFire for a significant order of 150 radios are well advanced
  - CalFire's prominent role in responding to the recent Los Angeles fires has highlighted the importance of our products and we are very proud of the fact that CalFire's fleet is already a substantial customer for our loudspeaker systems (as we are of the many other Canadian contributions to the effort!)
  - The certification process for ground-breaking CVM sensor solution for Aft Pressure Bulkhead inspections moved closer to conclusion with the finalisation of the FAA's certification requirements

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**Chairman and CEO Ross Love stated:**

“The Q2 results reported here reflect the lower than forecast sales revenues in the first half, as well as additional restructuring costs we incurred in the quarter, before any of the cost savings began to be realised in January.

However, the significantly improved trajectory of our revenues, and the fact that those cost savings have now been realised, means that the full year results will recover to an even stronger free cash flow outcome than we had initially forecast.

And the second half run rate, which we are now experiencing, will be even stronger. This gives us great confidence for the future, which will include new product investments and potentially some new product acquisitions.

We look forward to sharing the evidence of this turn-around in our subsequent quarterly and end of financial year reporting.”

Note: all figures are in AUD and as per management accounts which are unaudited and are stated in Australian dollars.

**Structural Monitoring Systems Plc (“SMS” or “the Company”) (ASX:SMN)** is pleased to provide the following Quarterly Update summarising group performance and key developments for the period ending 31 December 2024.

**SMS Group – Summary of Financial Overview and Operational Highlights**

Unaudited adjusted\* financial results for the Half-year ended 31 December 2024 are set out as follows:

<b>Consolidated</b>	<b>1H25</b> <b>\$000'</b>	<b>1H24</b> <b>\$000'</b>	<b>%</b>
Revenue	12,628	13,289	-5%
Adjusted EBITDA*	763	784	-3%
Adjusted net loss*	659	703	-6%

\*Excludes re-structuring expenses of C\$0.35 million (HY24: \$nil) and share-based payments of \$0.66 million (HY24: \$0.39 million). Average exchange rate for the half-year: 1C\$=A\$1.10.

The December quarter was pivotal, with the successful completion of a \$7.20 million share placement (“Placement”) and Securities Purchase Plan (“SPP”) providing the financial foundation to focus on high margin Avionics products and on markets that deliver the strongest financial return to shareholders.

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The Placement was offered at an issue price of \$0.52 with three (3) free listed attaching options issued for every four (4) Chess Depositary Interests (“CDIs”) exercisable at \$0.78 per option and with an expiry date of 30 November 2027.

The SPP attracted strong shareholder interest which resulted in the Company accepting a total of \$2.20 million in applications, in excess of the original target of \$2.00 million.

Melbourne-based Bell Potter Securities Ltd acted as Lead Manager for the Placement and SPP.

Funds raised will be allocated to product development, manufacturing expansion for high value/high margin avionics, expanded product development and CVM™ technology applications and working capital.

### **AEM Restructure & Operational Improvements**

AEM's restructuring has streamlined operations, reducing staff and production costs, and is expected to generate annualised savings of over C\$2.20 million from January 2025.

Executive Chairman & CEO Ross Love continues to oversee operations at the Group's Kelowna base driving strategic growth across the Company.

### **CVM™ Technology Progress**

The Company remains confident of the successful sign-off by Boeing following the more recent achievement of significant milestones regarding the testing requirements in relation to its CVM™ sensor technology and continues to work with both Boeing and the FAA to progress this to a satisfactory conclusion.

Significant milestones have been reached with Boeing regarding CVM™ sensor technology. The Company continues to work closely with Boeing and the FAA to achieve final approval, while also engaging with other major airline customers across the United States ahead of the anticipated FAA approval.

### **Tariff Resilience**

We are currently assessing our exposure to potential tariffs on US sales and US sourced costs. Currently, a significant portion of our sales are to US customers, and some of our materials and components are sourced from US suppliers. Many of our products are essential to the enhance operation of essential services and somewhat protected from alternative products regulatory certifications however we cannot expect to be immune from US tariffs on Canadian products, or potential retaliatory Canadian tariffs on US products. We are taking a number of measures to mitigate this risk and in the meantime our resilience testing indicates that we can effectively manage the cash flow implications across all likely scenarios.

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## **AEM operational activities and achievements across business segments for the December 2024 Quarter**

### **AEM Avionics update**

During the quarter, AEM continued to work with the United States Forest Service (USFS) toward formal acceptance into the approved equipment list for all its aerial firefighting contractors across all jurisdictions. This approval is expected to generate exponential growth for this 'in demand' product with approval expected early in 2025.

AEM announced a new product release in Q2 to expand its P139-HD Digital Audio System offering and is preparing for the imminent announcement of two new products which have been designed to enhance the P139-HD system. These products will also facilitate system installations in compact areas of special mission aircraft.

AEM is also nearing completion of its latest loudspeaker system aimed at the growing aerial law enforcement, aerial firefighting and air medical transport sectors and which is also expected to be announced in early in 2025.

The AEM sales and marketing team was busy during the quarter and continued to anchor its position in targeted growth areas through a busy end of calendar year for industry tradeshow and international events. During the reporting period, the sales team attended the Airborne Public Safety Associations (APSA) law enforcement event in Calgary, AB, the Canadian Wildfire Conference in Kelowna, BC, the Helicopter Association of Canada's (HAC) annual event in Vancouver, BC, European Rotors - Europe's largest rotorcraft showcase – in Amsterdam, NL, as well as popular public service industry-led event, Aerial Work Safety Conference, in Boise, ID.

In addition to these well-attended and successful sales events, AEM's Japanese market distribution and sales partner, Aero Facility, promoted AEM's avionics consoles, radios and digital audio system during the Japan International Airshow and Exhibition in Tokyo, JPN. The exposure and attention garnered at these important events further supports building market interest for AEM's special mission products and strengthens relationships in these growth regions.

AEM continues to refine and stock its sales pipeline in anticipation of the pending approval of its firefighting radio, and the imminent release of the new digital audio and loudspeaker system products.

The Group's growing suite of avionics and audio products continues to expand and generate momentum in the Special Mission Aviation sector, which further reinforces our plans to bolster product development and manufacturing capacity expansion targeting these high value markets and opportunities.

AEM Avionics recorded revenue of \$3.49 million during the quarter, an increase of 21% on Q2FY24.

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## **AEM Contract Manufacturing update**

AEM continues to maintain its high-value contract manufacturing projects and customers to generate the highest possible rate of return for the Company, which remains a foundational segment for the group.

AEM Contract Manufacturing recorded gross revenue of \$2.48 million during the quarter, a decrease of 43% on Q2FY24. The decrease was the result of a significant amount in orders being brought forward to Q1FY25 and the strategic shift now taking place to divert production capacity to high margin AEM Avionics products.

## **AEM CVM™ Update**

As announced on 5 August 2024, the Company finalised the testing requirements required for the certification of the Company's CVM™ Smart Sensors for the Aft Pressure Bulkhead (APB) inspection – Boeing Service Bulletin 737-53-1418.

While SMS has achieved full technical approval of the APB sensor solution within Boeing, the Company announced on January 20, the FAA mandated concurrent Low Frequency Eddy

Current (LFEC) inspections every 2,400 cycles (or every second inspection) until sufficient operational data is collected.

While the additional inspection requirement set by the FAA is temporary, the Company remains confident in securing final FAA approval, paving the way for expanded adoption of CVM™ technology and future innovations.

## **Corporate Update**

The December 2024 quarter has proved to be a significant one for the Company with the board and management team successfully completing capital raising activities which will underpin our ability to reach financial targets set for the remainder of the 2025 financial year and beyond. Importantly this will reduce the need for future operational funding requirements. The cash balance of \$7.09 million at quarter end increased further in January 2025 with the receipt of a \$1.33 million placement from Drake Private Investments LLC, a long term, substantial shareholder, reflecting strong shareholder confidence.

The restructuring of AEM announced during the period is expected to deliver significant financial benefits from Q3 FY2025 onward.

The anticipated approval by the United States Forest Service (USFS) for AEM's aerial firefighting products is expected to generate exponential growth with imminent key new product approvals also expected to contribute to strong financial results in 2025 and beyond.

The Board and Management remain focused on optimising operational efficiencies and cost control while expanding the high-value avionics segment.

Chairman and CEO Ross Love will continue overseeing operations in Kelowna, ensuring strategic growth across the group with the board focused on the CVM™ approval and on expanding the Company's high value avionics business segment in the US and Canada and globally.

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The Company held its Annual General Meeting on 18 December 2024 and all resolutions that were put to shareholders were passed by a poll.

### **Appendix 4C Details**

SMS consolidated cash-at-bank as at 31 December 2024 was \$7.09 million.

Payments for Product Manufacturing and Operating costs of \$2.73 million represent wholly owned subsidiary AEM's expenditure allocated to productive manufacturing and general operating costs.

Payment for Staff Costs of \$3.41 million represents salaries for manufacturing, administration, sales and general management activities and directors' fees.

Payments for Administration and Corporate Costs of \$0.38 million represent general costs associated with running the Company including ASX fees, legal fees, audit etc.

Payments of \$0.19 million were made during the quarter in respect of AEM operational restructuring costs.

The aggregate amount of payments related to parties and their associates included in the September quarter cash flows from operating activities was \$0.21 million in respect to fees paid to directors.

As stated above, the Group cash balance as at 31 December 2024 amounted to \$7.09 million.

Please refer to attached Appendix 4C for further details on cash flows for the quarter.

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

### **Please contact:**

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

#### Name of entity

Structural Monitoring Systems Plc

#### ARBN

106 307 322

#### Quarter ended ("current quarter")

31 December 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	7,281	13,248
1.2 Payments for		
(a) research and development	(219)	(286)
(b) product manufacturing and operating costs	(2,727)	(5,835)
(c) advertising and marketing	(164)	(368)
(d) leased assets	-	-
(e) staff costs	(3,409)	(5,984)
(f) administration and corporate costs	(375)	(876)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(208)	(419)
1.6 Income taxes received/(paid)	-	-
1.7 Government grants and tax incentives	-	-
1.8 (a) Royalty fee	(121)	(121)
1.8 (b) Restructure costs	(185)	(185)
<b>1.9 Net cash used in operating activities</b>	<b>(127)</b>	<b>(826)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(126)	(164)
(d) investments	-	-
(e) intellectual property <sup>(1)</sup>	(347)	(576)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (repayment of term deposit)	-	-
<b>2.6 Net cash used in investing activities</b>	<b>(473)</b>	<b>(740)</b>
(1) Capitalised R&D expenditure		
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	7,197	7,197
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(351)	(351)
3.5 Proceeds from borrowings	345	1,381
3.6 Repayment of borrowings	(119)	(207)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (ROU leases principal repaid)	(303)	(663)
<b>3.10 Net cash provided by financing activities</b>	<b>6,769</b>	<b>7,357</b>
<b>4. Net increase/(decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	856	1,260
4.2 Net cash used in operating activities (item 1.9 above)	(127)	(826)
4.3 Net cash used in investing activities (item 2.6 above)	(473)	(740)

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash provided by financing activities (item 3.10 above)	6,769	7,357
4.5	Effect of movement in exchange rates on cash held	60	34
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,085</b>	<b>7,085</b>

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	7,085	856
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,085</b>	<b>856</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	206
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

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7. <b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Line of credit	6,740	6,613
7.3i Term loan	1,098	1,098
7.3ii Other (equipment leases)	3,702	3,702
<b>7.4 Total financing facilities</b>	<b>11,540</b>	<b>11,413</b>
<b>7.5 Unused financing facilities available at quarter end</b>		<b>127</b>
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>Royal Bank of Canada (RBC) operating line of credit of C\$6.00 million secured at 6.80% variable, no maturity date, reviewed annually.</p> <p>RBC 7 year term loan of C\$1.25 million secured at 6.78% fixed for 3 years.</p> <p>HSBC equipment lease facility of US\$2.20 million, secured at various rates of between 2.61% and 4.41% fixed with a term of between 3-5 years according to the type of equipment financed.</p> <p>RBC C\$0.50 million equipment lease finance facility. A drawdown of C\$0.13 million has been made to date. The term is 3 years at a fixed interest rate of 7.63%.</p>		

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash used in operating activities (item 1.9)	(127)
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,085
8.3 Unused finance facilities available at quarter end (item 7.5)	127
8.4 Total available funding (item 8.2 + item 8.3)	7,212
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>57</b>
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/a	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/a	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/a

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

### 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.

Date: 31 January 2025 .....

Authorised by: ....The Board.....

(Name of body or officer authorising release – see note 4)

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**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.