

ASX Announcement

ASX: SMN
28 April 2025

Appendix 4C and Quarterly Update

March 2025 Appendix 4C and Quarterly Update

Highlights

- **Q3 Profit before tax \$1.5m up 850%** on Q3FY24. **Adj EBITDA of \$2.2m up 251%** on Q3FY24 reflecting 18% revenue growth and benefits from the corporate restructure executed in Q2
- **Q3 Positive operating cash flow of \$0.3m up 185%** on Q3FY24 driven by Q2 cost restructuring and strong Forest Radio sales
- **Revised FY25 forecast** anticipates strong growth in H2 FY25
- **Forecast FY25 Adjusted EBITDA of \$5.0m** representing a **105% increase** on FY24
- **Q3 Revenue of \$7.9m up 18%** on Q3FY24 driven by a successful targeted sales campaign
- **\$8.2m in available funding** at quarter end, providing a strong platform for continued growth
- **Significant progress in the certification** of its Aft Pressure Bulkhead (APB) sensor technology with the Federal Aviation Administration (FAA) approval and issuance of the final documents to Boeing
- **Delta Air Lines confirms 64 of 71 APB sensor installations** completed on eligible 737 aircraft
- **APB sensor trial progressing with a second major US airline**, with installation on the first of two 737 aircraft expected by the end of June 2025
- **AEM receives full USFS and DOI approvals** for its MTP136D Panel-Mount Forest Service Radio, authorising use in all federally regulated aerial firefighting aircraft - **expected to drive substantial growth in FY2025**
- **Launched two major products** during the quarter – the P139-HD Compact Digital Audio System and the LHS41 Loudspeaker System
- **AEM avionics products confirmed tariff free**. Orders placed prior to April 2 remain unaffected by new tariff measures
- **Completed private placement at a premium** to SMS' largest institutional shareholder, Drake Private Investments LLC, raising \$1.34m

Chairman and CEO Ross Love stated:

“Despite ongoing global uncertainty and the impact of the US reciprocal tariffs, we are extremely pleased with the operational improvements that have positioned SMS in its strongest financial position to date.

“With positive operating cash flow and the recent \$8.7 million capital raised in Q2/Q3 FY25, we are well placed to further invest in our two core business segments - avionics and structural health monitoring – and expand beyond traditional US markets.

“It also allows us to progress two potential acquisitions in these key sectors and to fund new product investment in high growth markets as we continue to consolidate strong relationships with high value market customers across the globe.

“The confirmation that our avionics products remain tariff free is a further source of confidence, however, with volatility set to continue at least in the short term, we are confident our mitigation strategies will reduce any significant commercial impacts should this situation change.

“Our December forecast revisions showed only minor variances, and we expect strong momentum throughout 2025, supported by lower operating costs and continued sales of our USFS-approved Forest Radio.

“The successful launch of two new AEM products this quarter reinforces our reputation for quality and innovation, especially in the special mission sector and highlights the commercial end value of AEM’s continued IP product development.”

Structural Monitoring Systems Plc (“SMS” or “the Company”) (ASX:SMN & SMNOA) is pleased to provide the following Quarterly Update summarising group performance and key developments for the period ending 31 March 2025.

Consolidated	March Qtr			Year to date		
	FY25	FY24	Change %	FY25	FY24	Change %
	\$ million	\$ million		\$ million	\$ million	
Revenue	7.9	6.7	18%	20.7	20.0	4%
Profit/(loss) before tax	1.5	(0.2)	850%	(1.1)	(1.4)	21%
Adj EBITDA*	2.2	0.6	251%	0.2	1.1	-81%
Operating cashflow	0.3	0.1	185%	(0.5)	1.1	-147%

*Excludes re-structuring expenses of C\$0.35 million, audit adjustment to manufacturing overhead of C\$0.54 million and share-based payments of A\$0.66 million (FY24: \$0.39 million). Based on unaudited Q3 management accounts. All amounts in Australian dollars unless otherwise stated. Average exchange rate for the year to date: 1C\$=A\$1.10.

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Tariff Exemption Status

On 4 April 2025, SMS confirmed that AEM avionics products remain tariff free and compliant with the Canada-United States –Mexico Agreement (CUSMA/USMCA) and that orders placed prior to 2 April 2025 would remain unaffected by the new tariff measures. SMS will continue to monitor the evolving global trade environment closely and provide further updates should any material impacts arise.

AEM operational activities and achievements across business segments for the March 2025 Quarter

AEM Avionics update

During the quarter, AEM received approval from the United States Forest Service (USFS) and formal acceptance of its MTP136D radio onto the approved equipment list for all federal aerial firefighting agencies and contractors across all jurisdictions. This approval has had an immediate positive impact on sales and production. Since the beginning of the 2025 calendar year, approximately US\$1 million of radios have been ordered, delivered and committed.

Additionally, AEM launched its P139-HD Compact Digital Audio System offering and its new Loud Hailer System (LHS41), which is the company's latest in terms of loudspeaker system technology. Both systems represent a positive for both AEM and its special mission customers, with delivery of Original Equipment Manufacturer (OEM) launch customer systems completed during the quarter.

The AEM sales and marketing team was busy during the quarter and continued to position itself as a leader in targeted growth areas. During the reporting period, the sales team attended the National State Fire Aviation Meeting in Washington State, hosted by the Washington Department of Natural Resources, where many US agencies were able to see firsthand AEM's innovative firefighting radio on full display.

The team also attended industry-flagship event VAI VERTICON (formerly HAI HELI-EXPO) in Dallas, Texas, where double digit net-new qualified sales leads were generated for both new and existing offerings.

AEM closed out the quarter by attending the AEA International Convention & Trade Show in Phoenix, Arizona, where the team was selected to present at the event's coveted new product introduction engagement, and conducted a one-hour radio training session with installers and avionics technicians. All three events were extremely well attended and represented successful business development activations.

AEM continues to boost production and strengthen its sales pipeline to keep pace with demand for its popular firefighting radio, as well as digital audio and loudspeaker system products.

AEM Avionics recorded revenue of \$5.4 million during the quarter, an increase of 18% on Q3FY24.

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AEM Contract Manufacturing update

AEM's ongoing focus remains on maintaining high-value contract manufacturing projects and has again delivered solid results for the quarter.

The company's strategy in this important business segment is supporting a limited number of high-value customers generating the highest rate of return, while remaining agile in its ability to fulfill the continued increase in sales demand for its own IP products.

AEM Contract Manufacturing recorded gross revenue of \$2.5 million during the quarter, a decrease of 41% on Q3FY24.

CVM™ Technology Update

AEM has now installed the Aft Pressure Bulkhead CVM™ solution on 64 aircraft on Delta Air Lines' 737 fleet with work continuing in Mexico where Delta Air Lines conducts its inspections and installations. It is expected that 68 of 71 aircraft will be completed in total while three of the previous 71 aircraft had previous modifications in this area and were therefore not eligible for the CVM™ solution.

Boeing's efforts internally to compile, approve, and release the 45 documents required for the APB Service Bulletin are progressing as planned. AEM has now completed and submitted all the documents they are required to author for the program.

Mr. Lynch-Staunton, Dr. Dennis Roach, and Boeing engineers met with the FAA (policy and certification divisions), EASA, and other operators in Atlantic City, New Jersey in March to discuss the "belt and suspenders" approach that has been requested by the FAA certification division. This belt and suspenders is the request to include the traditional low frequency eddy current inspections every 2400 cycles along with the CVM inspections. A full day of background and discussion was conducted with a positive outcome where FAA policy and certification agreed that they will regroup and come back with an aligned response.

AEM continued the escalation and progress of a trial deployment of the 737 APB solution onto two aircraft with a second major US airline. Installation on the first aircraft is expected by the end of June 2025.

The FAA has also engaged AEM to collaborate on a study focused on CVM™ and condition-based maintenance. This study will be conducted at the FAA William J. Hughes Technical Center in New Jersey, establishing further data to support the monitoring of cracks on aircraft. The allowance of flying with damage smaller than current allowable limits would provide operators flexibility in fleet maintenance scheduling.

The Company continues to evaluate potential CVM™ applications with Airbus. SMS consultant Dr. Dennis Roach is continuing to work closely with Airbus and operators to advance commercial adoption.

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Corporate Update

The March 2025 quarter was a strong one for the Company with Q3 EBITDA up 251% from the corresponding period last year reflecting improved revenue growth as the benefits of last year's corporate restructure continue to be realised.

Strong Forest Radio Sales following the approval by the USFS and delivered positive operating cash flow during the period of \$0.3m up 185% compared to the same period last year with strong sales expected to continue through the 2025 calendar year.

While global uncertainty continues to impact markets overall, the fact that we remain tariff free and able to continue to deliver to US customers without disruption provides further confidence that we are well positioned to continue the quarter's growth trajectory throughout the 2025 calendar year.

While the CVM™ APB approvals process timeline remains outside our control, we have achieved major milestones towards this end goal with significant activities occurring concurrently with major US airlines while the approval process plays out.

While SMS Chairman and CEO Ross Love continues to spend considerable time in Canada in his current dual role the expectation is that a full time Canadian based, suitably qualified AEM CEO will be appointed before the end of the current financial year.

The Company reported a change of Australian business address during the period to 29 The Avenue Suite 7 Nedlands WA 6009 with the postal address remaining unchanged.

Options Offer

The Company had a class of listed options under the ticker code "SMNO" which expired on 6 April 2024 (Expiry Date). They were originally 1:2 attaching options for holders who subscribed for shares at 90 cents per share under a Rights Issue in March 2022. There was a total of 14,044,849 SMNO Options on the Expiry Date.

Following relevant shareholder approvals at the 2024 Annual General Meeting, the Company announced on 17 January 2025, an offer of 14,044,849 Options (ASX: SMNOA), each exercisable at \$0.78 and expiring on 30 November 2027 (New Options) to Eligible Option Holders on the basis of 1 New Option for nil consideration for every 1 expired SMNO listed Option held as at as at 5.00pm on 5 April 2024 (New Option Offer).

On 20 January 2025, the Company lodged the Options Offer Prospectus on ASX and ASIC.

On 5 March 2025, the Company announced the Results of the Options Offer.

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Appendix 4C Details

SMS consolidated cash-at-bank as at 31 March 2025 was \$1.5 million. Unused finance facilities available at the quarter end were \$6.7 million. Total available funding at quarter end was \$8.2 million.

Payments for Product Manufacturing and Operating costs of \$2.1 million represent wholly owned subsidiary AEM's expenditure allocated to productive manufacturing and general operating costs.

Payment for Staff Costs of \$2.5 million represents salaries for manufacturing, administration, sales and general management activities and directors' fees.

Payments for Administration and Corporate Costs of \$0.5 million represent general costs associated with running the Company including ASX fees, legal fees, audit etc.

Payments of \$0.2 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 \$0.2 million in respect to fees paid to directors.

As stated above, the Group cash balance as at 31 March 2025 amounted to \$1.5 million. Total available funding as at 31 March 2025 amounted to \$8.2 million.

Please refer to the 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.

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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 March 2025

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	5,998	19,246
1.2 Payments for		
(a) research and development	(96)	(382)
(b) product manufacturing and operating costs	(2,070)	(7,905)
(c) advertising and marketing	(184)	(552)
(d) leased assets	-	-
(e) staff costs	(2,514)	(8,498)
(f) administration and corporate costs	(492)	(1,368)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	(123)	(542)
1.6 Income taxes received/(paid)	-	-
1.7 Government grants and tax incentives	-	-
1.8 (a) Royalty fee	-	(121)
1.8 (b) Restructure costs	(204)	(389)
1.9 Net cash used in operating activities	319	(507)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(95)	(259)
(d) investments	-	-
(e) intellectual property ⁽¹⁾	(176)	(752)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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)	-	-
2.6	Net cash used in investing activities	(271)	(1,011)
(1)	Capitalised R&D expenditure		
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,504	8,701
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	(177)	(528)
3.5	Proceeds from borrowings	-	1,381
3.6	Repayment of borrowings	(6,643)	(6,850)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (ROU leases principal repaid)	(317)	(980)
3.10	Net cash provided by financing activities	(5,633)	1,724
4.	Net increase/(decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,085	1,260
4.2	Net cash used in operating activities (item 1.9 above)	319	(507)
4.3	Net cash used in investing activities (item 2.6 above)	(271)	(1,011)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash provided by financing activities (item 3.10 above)	(5,633)	1,724
4.5	Effect of movement in exchange rates on cash held	(21)	13
4.6	Cash and cash equivalents at end of period	1,479	1,479

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	1,479	7,085
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,479	7,085

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	169
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.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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	6,679	-
7.3i Term loan	1,044	1,044
7.3ii Other (equipment leases)	3,668	3,668
7.4 Total financing facilities	11,391	4,712
7.5 Unused financing facilities available at quarter end		6,679
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 5.80% 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\$0.39 million has been made to date. The term is 3 years at a fixed interest rate of 7.63%.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash provided by operating activities (item 1.9)	319
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,479
8.3 Unused finance facilities available at quarter end (item 7.5)	6,679
8.4 Total available funding (item 8.2 + item 8.3)	8,158
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/a
<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.

28 April 2025

Date:

By the Board

Authorised by:

(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.