



Executive Chairman's Update

Structural Monitoring Systems Plc ("SMS" or "the Company") (ASX: SMN) is pleased to provide an update from the Executive Chairman.

I would like to provide you with a further update following a very positive site visit earlier this month to the new Anodyne Electronics Manufacturing Corporation ("AEM") facility in Kelowna, British Columbia, where I spent time touring the company's impressive new operations and meeting with key members of the various teams.

The facility is a testament to the efforts of the entire team behind its design, construction, fit out and operation. AEM has a strong reputation for staff attraction and retention and while the new facility is designed for technical, manufacturing and product development excellence, it is also designed as a great workplace for its staff to come to each day.

This is without doubt a state-of-the-art facility, purpose built to produce a range of avionics technology and products and fine tune the development of others to meet the ongoing requirements of a range of OEMs.

During my time there I met with a number of staff from the executive, management, sales and marketing and research and development teams and came away from every single interaction, impressed by their knowledge, commitment and passion for the job they do.

The teams are cohesive and high performing and absolutely committed. I was impressed by their focus and viewpoints during my conversations with them and by the innovative approaches they are taking in terms of R&D and product development, partnerships with OEMs, Operators and major STC houses and complex regulatory and sales environments.

I am confident the AEM team has the necessary skills and commitment to assist us to transition CVM™ to commercial sales. I have approved AEM recruiting two new key staff who I believe will be instrumental in this process, one who will be based in Europe and who will anchor the relationship with Airbus and the other who I believe has the necessary analytical and project management skills to add significant value to our Sales and Marketing team.

The POD testing phase of the 737 APB program with Boeing is now underway on site in Kelowna. This critical APB application, developed in conjunction with Delta airlines, has strong market potential and we are very confident in the ultimate success of the trial.

We have also allocated additional resources so that the testing period can be reduced from approximately two months to 20 business days which will expedite this process considerably. We look forward to updating you further as the trial progresses.

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We are now finalizing the commercial arrangements for the delivery and installation of the next batch of monitoring kits for installation by Delta Airlines from January 2023. At that time, and subject to the expected regulatory approval, we will also be activating the commercial terms under which we have already installed kits on 21 Delta aircraft.

At the same time, we have begun approaching the next set of 'high potential' customers for this application, including Qantas Airways whose senior engineering executives I met with on Monday.

Our LA based Executive VP Business Development, Rich Poutier, is back with Delta as we speak, exploring further opportunities alongside the APB program which is highly advanced. Similar discussions are also well under way under his leadership with United Airways. We are making significant progress together on our CVM™ Commercialisation Plan and I will be sharing more on that in the coming weeks.

I will also be joining the team attending the 2022 Airlines for America Nondestructive Testing Forum in San Antonio, Texas, at the end of this month and meeting with key staff from Airbus who are responsible for the structural health monitoring of aircraft as well as relevant technical staff from Delta and Embraer, among others, who are also scheduled to attend.

I have detected a significant shift in momentum in the industry as major airlines are now devoting resources to understanding the opportunity for predictive maintenance (much of which requires new sensor technology like ours.) It is helping that the airlines now have paying customers, after the last two years of financial distress!

I look forward to sharing further updates with you as we head towards the AGM on November 11 and welcome any communications or questions you may have in the interim.

Yours sincerely,

A handwritten signature in black ink that reads "Ross Love".

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

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Figure 1. SMS & AEM technical staff conducting probability testing on an airframe component