



31 July 2007

The Listing Manager
ASX Limited
Level 8, 2 The Esplanade
PERTH WA 6000

Dear Sir

APPENDIX 4C – FOURTH QUARTER COMMITMENTS TEST ENTITY

Please find attached an Appendix 4C Quarterly Report for entities admitted on the basis of commitments for the quarter ended 30 June 2007.

The following developments occurred during the quarter:

- Following the ASX announcement on the 8 March 2007 by the Company that The Boeing Company had agreed to include the Company's Comparative Vacuum Monitoring (CVM™) technology into the Boeing Common Methods non-destructive testing manual, a successful series of meetings have been held with Boeing and two major US airlines to identify initial CVM™ inspection applications. Subsequently, a formal request has been made by these airlines to Boeing to use CVM™ technology as an alternative method to certain existing inspections. A joint meeting involving representatives of Boeing, the airlines and the Company is now planned to agree the route forward.
- The office of the Director General Technical Airworthiness (DGTA) recently conducted a review of the Company's Quality Management System and CVM™ products, and has determined that CVM™ is a suitable and acceptable structural integrity inspection technique for application to Australian Defence Force (ADF) platforms. This endorsement is an important step forward as it clears the way for the evaluation of specific applications of CVM™ technology on Australian military aircraft, for improved fleet availability and reduced maintenance costs.
- Following the use of CVM™ technology on Nimrod MR2 aircraft in the UK since August 2005, the RAF has decided to fit CVM™ sensor on the Nimrod R1 fleet. The first aircraft is due to be fitted with CVM™ during the 4th quarter of 2007. The Company is also currently in discussion regarding specific applications of CVM™ sensors with operators of the large fleet of military C-130 Hercules aircraft in Australia, UK and USA. In particular the authorities of the joint RAF / RAAF C-130J wing fatigue test are at an advanced stage of assessing the CVM™ application areas for this program.

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ARBN 106 307 322

A public limited liability company incorporated under the laws of England and Wales.

- Following a successful visit by representatives of the People's Republic of China Air Force to the Company's offices in Perth, payment has been received for an initial order of CVM™ instrumentation and sensors for evaluation purposes.
- The development programs with Airbus in relation to fitting CVM™ into a new Airbus aircraft continue to progress well.
- On the 20 March 2007 the Company announced it had negotiated an option to acquire the exclusive right to a new advanced strain measurement technology for application in the Aerospace industry. Preparations are currently underway to demonstrate the Company's new Advanced Nanocomposite Strain Sensor technology to Airbus in the 4th Quarter of 2007. The Company has made a successful trade mark application for the name "Nanostron™", which will be used as the principal name for this new range of structural health and usage monitoring system products.
- The Company will shortly ship the first batch of CVM™ products to the Brazilian regional aircraft manufacturer Embraer for installation on a full scale fatigue test program. Embraer will use this program as the first stage of a three year program for the development and qualification of an in-flight CVM™ system to be available to be incorporated into future Embraer aircraft.
- The Company is preparing for low rate initial production of the ground based CVM™ PM200 instrument. In response to customer feedback the final product has many enhanced features including increased sensitivity and robustness to survive in a maintenance hangar environment. The focus has now shifted to the development and production of a range of in flight CVM™ instruments. This program is progressing well and the Company is planning to demonstrate a prototype in-flight product to Airbus by the end of 2007.
- The Company's listed options SMNO expired on 30 April 2007. Option holders exercised 16,364,037 options at 20 cents each, raising over \$3.2 million. These funds are being used to underpin the on-going new CVM™ and Nanostron™ product development and qualification, as well as an increased level of marketing and commercialisation activities.

Yours faithfully

A handwritten signature in cursive script, appearing to read "Colin McDonald".

Colin McDonald
Company Secretary

Appendix 4C

**Quarterly report
for entities admitted
on the basis of commitments**

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

Structural Monitoring Systems plc

ABN

106 307 322

Quarter ended ("current quarter")

30 June 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (..12.... months) \$A'000
1.1 Receipts from customers	215	724
1.2 Payments for		
(a) staff costs	(826)	(3,312)
(b) advertising and marketing	(131)	(432)
(c) research and development	(144)	(704)
(d) leased assets	-	-
(e) other working capital	(410)	(1,443)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	80	189
1.5 Interest and other costs of finance paid	(1)	(4)
1.6 Income taxes paid		
1.7 Other (provide details if material) Grant income	480	1,591
Insurance refund	-	36
Net operating cash flows	(737)	(3,355)

	Current quarter \$A'000	Year to date (.12.... months) \$A'000
1.8 Net operating cash flows (carried forward)	(737)	(3,355)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	(50)
(b) equity investments	(10)	(41)
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property	1	2
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (provide details if material)		
	(9)	(89)
Net investing cash flows		
1.14 Total operating and investing cash flows	(746)	(3,444)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	3,205	6,959
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other (provide details if material) Cost of issues	-	(151)
Net financing cash flows	3,205	6,808
Net increase (decrease) in cash held	2,459	3,364
1.21 Cash at beginning of quarter/year to date	3,667	2,762
1.22 Exchange rate adjustments to item 1.20	4	4
1.23 Cash at end of quarter	6,130	6,130

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	140
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil
1.26	Explanation necessary for an understanding of the transactions	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	6,130	3,667
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	6,130	3,667

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  . Date:31 July 2007.....
(~~Director~~/Company secretary)

Print name:Colin McDonald.....

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.