



29 June 2010

The Listing Manager
Australian Stock Exchange Limited
Level 8, 2 The Esplanade
PERTH WA 6000

Business Update

Dear Sir

Structural Monitoring Systems plc (SMN) is pleased to provide the following overview of the current and near term order intake, as well as an overview of the Company's business strategy and objectives going forward.

Order Intake

The Company recently held discussions in China with a major Chinese aircraft fatigue test institute, after having received an expression of interest for the procurement of CVM™ Laboratory Equipment systems for full-scale fatigue testing purposes. Following these meetings the Company is expecting an order for up to US\$500,000 during the next quarter, with delivery of the system prior to the end of December 2010.

In the 3rd Quarter SMN announced orders for the supply of PM200 units and a number of sensor assembly application kits for installation on an Embraer aircraft as a part of a CVM™ certification program. The total order intake for this program during the 3rd quarter was US\$182,770.

During the current quarter SMN has received additional orders for the supply of technical services in association with this program, and has received notice that it will be receiving an order in the near future for the delivery of an on-board real-time CVM™ instrumentation system by November 2010 that will be installed on an Embraer aircraft for certification purposes.

The certification phase of the Embraer CVM™ program will continue to generate revenue for the remainder of 2010 and into 2011.

SMN has received orders this quarter from a new Switzerland based customer, for the supply of CVM™ laboratory system and supply of sensors for automotive component testing. The Company expects that automotive component testing will be an on-going and growing business

Australian Office

Unit 5, 15 Walters Drive Osborne Park, WA 6017
Telephone: +61 8 9204 4844 ~ Fax: +61 8 9204 4866

United Kingdom Office

4 Elwick Road, Ashford, Kent TN23 1PF, United Kingdom ~ Telephone: +44 (0) 1233 666795 ~ Fax: + 44 (0) 1233 646840

ARBN 106 307 322

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

The Company continues to receive orders for the supply of sensors to Airbus for materials certification testing and incorporation onto the A380 Full Scale Fatigue Test.

SMN has provided CVM™ sensors to Boeing Integrated Defence Systems in support of a US Air Force fighter aircraft life extension program, and discussions are on going regarding the use of other CVM™ sensors types for the early detection of fatigue in built-up structures.

Based on the success of the above program with Boeing it is likely that SMN will receive a further order during the next quarter for a trial of CVM™ technology by a new military aircraft customer, who also operate this particular fighter aircraft and have a similar life extension program in progress.

Subsequent to the successful installation of the first CVM™ Switch based bridge monitoring system in the US in April 2010, SMN has now commenced follow-up marketing activities for this system with US federal and state government departments of transport. While orders for CVM™ technology for use in other sectors such as full scale and component fatigue testing are developing.

Despite being restricted by limited working capital the Company is continuing to work hard to market CVM™ systems to existing and expanding new customers in the aerospace, fatigue test and civil infrastructure sectors, and to further increase order intake for CVM™ products and services in these sectors. We are seeing the benefits beginning to flow from this effort. As working capital constraints are limiting growth opportunities at present, the Company is currently considering a number of options to secure the necessary working capital to facilitate the growth and the increasing demand for the Company's products.

Business Strategy

SMN has been through a challenging period during the recent global economic downturn, and has been adversely affected by its impact on our civil and military aerospace customer base's level of investment in the acquisition and integration of new technology, and weak market sentiment to towards technology related investment opportunities.

Despite these challenges and a significant downsizing of staff, with the on-going support of both existing and new shareholders SMN has been able maintain its investment in the protection of CVM™ intellectual property, develop products for new business sectors (e.g. the Bridge Monitoring System recently installed in the USA), and continue to meet on-going customer demands for CVM™ sensors and instrumentation systems.

During the first half of 2010 it has been apparent that there is an increasing level of interest from both existing and potential customers in Structural Health Management (SHM) solutions for both aging aerospace and civil infrastructure, as the economic down-turn is delaying replacement and repair investment decisions in these sectors. For example, recent discussions with customers have indicated that structural integrity is becoming a high priority issue, and that SHM is a "hot topic".

Although as mentioned above the Company is facing working capital constraints, it is believed that SMN and our mature CVM™ technology and products are well placed to benefit the increasing level of customer awareness of the potential cost / benefits of using structural integrity sensor monitoring solutions.

The Company has therefore reviewed the markets for its established products in the immediate, medium and long term exploiting the leadership position that has been established with CVM™ technology, and the board has identified the following strategic business priorities:

Immediate Term (0-2 years)

- The accredited PM200 and CVM™ sensor systems will be marketed in association with a strategic partner for retrofit applications for the replacement of high frequency / high cost inspections in the large and regional commercial aircraft and military aviation sectors.
- The Company will also be marketing its new cost effective CVM™ Switch products in retrofit / periodic monitoring in high volume automotive test applications, and also as a remote monitoring system for bridge and similar infrastructure – particularly in the Australian and US markets.
- The Company will continue to expand its continuous monitoring equipment business activities in new aircraft demonstrator programs and major full scale fatigue test programs where the Company has an established good track record with the CVM™ technology.
- The Company is looking to form partnerships with companies with complementary structural analysis and monitoring capabilities and technologies to offer a broad range of structural integrity analysis, testing and monitoring services.
- Continue investment in the creation and protection of intellectual property in the domain of structural health management technology – particularly for airworthy on-board CVM™ systems.

Medium Term (3-5 years)

- SMN is developing and will qualify and commercialise CVM™ technology for integration into new build in-flight smart structural integrity monitoring applications in the commercial and military aviation sectors to enable weight savings and onboard real time prognostic maintenance capabilities.
- The Company will be marketing CVM™ technology in retrofit / periodic monitoring in safety critical transportation, building structures, and industrial processing plant applications.
- The Company is seeking to acquire and develop complementary novel structural integrity load and corrosion monitoring technologies to broaden the range and scope of services offered to customers.
- The Company will also seek to acquire existing structural analysis and test engineering capability, to provide value adding Non Destructive Test (NDT) inspection services.

Longer Term (5+ years)

- SMN will seek to expand into a broad range of structural integrity monitoring market sectors, and licence the inclusion of CVM™ technology in the production of new-build or modified next generation aircraft.
- The company will seek to exploit opportunities for mass-market structural monitoring sensor and instrumentation systems.
- The Company will seek to be the global leader in the provision of structural integrity monitoring systems and services.

Business Objectives

The immediate and medium term business objectives of SMN are as follows:

- EQUITABLE STRATEGIC PARTNERSHIP with suitable aerospace company to support SMN, to provide the CVM™ technology with a more comprehensive supply and product support base in aerospace and defence sector.
- In the short term to increase the presence of the CVM™ technology in the established aircraft component and full scale fatigue test markets, and grow sales revenue in automotive and general test sectors.
- Re-establish the Company's US subsidiary to support the marketing of CVM™ Switch based products and expand the business in the US Aging Bridge & Infrastructure Monitoring markets.
- Increase sales of retrofit applications of CVM™ sensors on US and European civil single aisle high cycle and military aircraft fleets.
- Complete the development and qualify the on-board aircraft CVM™ system in association with Embraer.
- Complete a licencing agreement with major aircraft manufacturers for inclusion of CVM™ technology in new build or modified existing composite aircraft structures.
- Create a local resource infrastructure monitoring market. For example, SMN has been invited to join an Australian Govt funded development program involving Petronas for the monitoring of composite over-wrap repair patches on both land and underwater pipes.

Yours faithfully



Colin McDonald
Company Secretary

Notes:

Structural Monitoring Systems plc Australian Securities Exchange code: SMN

Company Contact

Mr Mark Vellacott – Managing Director – Ph: +61 (0)8 9204 4844

About Structural Monitoring Systems

Structural Monitoring Systems is a structural integrity sensor system company engaged in commercialising its leading edge Comparative Vacuum Monitoring (“CVM™”) technology, to produce remote crack detection sensor and instrument products based on the patented CVM™ principle that will radically reduce the cost of maintenance and vehicle or plant down-time associated with performing safety critical structural integrity NDT inspections. Durable, simple to design and manufacture, easy to install and use, highly reliable and with a benchmark crack detection capability, CVM™ technology has application in a broad range of commercial, military and industrial market sectors, specifically in air, land and sea transportation systems, power-generation systems, and industrial processing plants.

Structural Monitoring Systems has received accreditations from The Boeing Company and the Australian Defence Force endorsing the use of CVM™ sensors and PM200 handheld monitoring instrument as a suitable means of performing structural integrity inspections. The Company has also achieved a major milestone with Airbus acknowledging CVM as being “Technology Ready” to be included in its commercial aircraft maintenance programs. In the commercial aircraft sector Structural Monitoring Systems has well established relationships with the four largest aircraft manufacturers: Boeing; Airbus; Embraer; Bombardier. Structural Monitoring Systems also has well established relationships with air forces in the US, UK, Europe, Australia, and Asia, and with whom CVM™ technology is being evaluated for various military aircraft structural integrity monitoring applications.

Company Web Site

www.smsystems.com.au

Disclaimer:

Any statements made herein that use the words “estimate”, “prospect”, “expect”, “believe” and similar expressions are intended to identify forward-looking statements. These forward-looking statements may be affected by inaccurate assumption or by known and unknown risks and uncertainties which could cause actual results, performance or achievements of the Company to be materially different from those which may be expressed or implied by such forward looking statements, including among others, risks or uncertainties associated with the development of the Company’s technology, the ability of the Company to meet its financial requirements, the ability of the Company to protect its proprietary technology, potential limitations on the Company’s technology, the market for the Company’s products, government regulation in Australia, the UK, the US or elsewhere, changes in tax and other laws, changes in competition and the loss of key personnel. For additional information regarding these and other risks and uncertainties associated with the Company’s business, reference is made to the Company’s reports filed from time to time with the Australian Securities Exchange. As a result of the predictive character of such forward looking statements, investors should not rely on such statements in making decisions about the Company’s prospects and / or the acquisition or disposal of the Company’s securities.