

STRUCTURAL MONITORING SYSTEMS PLC
ARBN 106 307 322

SHARE PURCHASE PLAN

This plan was approved by the
Directors of Structural Monitoring Systems plc
on 17 August 2005.

STRUCTURAL MONITORING SYSTEMS PLC SHARE PURCHASE PLAN OFFER

Structural Monitoring Systems plc ARBN 106 307 322 ("**Company**") wishes to raise funds pursuant to the Structural Monitoring Systems plc Share Purchase Plan ("**Plan**"). The Plan offers eligible shareholders the ability to subscribe for between \$1,000 and \$5,000 worth of fully paid ordinary shares in the Company ("**Shares**") through the Plan. To be eligible, you are required to be registered as a holder of fully paid ordinary shares, with a registered address in Australia as at 5.00pm (WST) on 14 September 2005.

Funds raised by the Plan will be used to fund ongoing development and commercialisation activities. This will include:

- (a) Development and commercialisation of CVM TM retrofit installations on aging aircraft fleets in US, Europe and Asia
- (b) Development and commercialisation of CVM TM retrofit installations on aging military aircraft fleets in US, Europe and Asia
- (c) Increased development of in-flight CVM TM sensors and instrumentation applications for new civil and military structural health monitoring systems
- (d) US commercialisation of CVM TM through appointment of US employees and consultants.

The offer of Shares under the Plan ("**Offer**") opens on 15 September 2005 and **closes at 5pm (WST) on 29 September 2005**. No late applications will be accepted, however the Directors reserve the right to extend the closing date.

The purchase price for each Share under the Plan is 12 cents per Share. This price is a 5% discount from the average market price of Shares in the Company sold on the ASX during the previous five trading days ending 2 September 2005. This price is the same price as the placement of shares to Orbis Capital Limited and other institutions, which was announced on 2 September 2005.

If you are eligible to subscribe for Shares under the Plan and you wish to participate, you must subscribe for a minimum of 8,333 Shares for a consideration of \$1,000. The maximum number of Shares you may subscribe for under the Plan is 41,666 Shares for a consideration of \$ 5,000. You may only subscribe for whole numbers of Shares, as no fraction of Shares will be issued. The Company reserves the right to allot fewer Shares than an eligible shareholder applies for under the Offer or no Shares.

Please carefully read the terms and conditions relating to the Offer, as you will be bound by them.

If you have any questions in respect of the Plan, the Offer, or these terms and conditions please contact Mr Colin McDonald on (08) 9204 4844.

TERMS AND CONDITIONS OF THE OFFER

The following are the terms and conditions of the Offer under the Plan ("**Terms and Conditions**"). By accepting the offer to subscribe for Shares under the Plan, you will have agreed to be bound by these Terms and Conditions and the Company's constitution.

1. Class order 02/831 issued by the Australian Securities and Investments Commission (ASIC)

The Offer has been structured to comply with the Australian Securities & Investments Commission Class Order 02/831 (as amended) to enable the Company to issue Shares without a prospectus.

2. Opening and closing date of the offer

The Offer opens at 9.00am (WST) on 15 September 2005.

The Offer closes at 5pm (WST) on 29 September 2005.

No late applications will be accepted, however the Directors reserve the right to extend the closing date.

3. Who is eligible to participate in the offer?

You are eligible to apply for Shares in the Offer if:

- your registered address, as recorded in the Company's register of members, is in Australia; and
- you were registered as a holder of Shares, or are a Beneficiary as described in paragraph 8, as at 5pm (WST) on 14 September 2005.

The Offer to each eligible shareholder is made on the same terms and conditions.

The Offer is non-renounceable (ie. you may not transfer your right to subscribe for Shares under the Offer to anyone else).

4. Is the Offer voluntary?

The Offer is entirely voluntary and is subject to these Terms and Conditions. You do not have to participate if you don't want to.

5. How was the issue price determined?

The issue price for each Share under the Offer is 12 cents. This price is a 5% discount to the average market price of Shares in the Company sold on the ASX during the previous five trading days ending 2 September 2005. It is also the same issue price as the placement of shares to Orbis Capital Limited and other institutions announced to the ASX on 2 September 2005.

6. Important Information on price risk to consider

Before deciding whether to accept the Offer, you should refer to the current market price of Shares, which can be obtained from the financial pages of your daily newspaper, your stockbroker, your financial adviser, or the ASX. Please note that the market price of Shares may rise or fall between the date of this Offer and the date when the Shares are issued to you under the Plan. This means that the price you pay per Share under this Offer may be greater than or less than the price of Shares at the time the Shares are issued to you pursuant to this Offer. In determining whether you wish to participate in this Offer and the extent to which you participate, you should seek your own personal financial and/or taxation advice referable to your own circumstances.

7. How Much Can You Invest in the Offer?

If you are an eligible shareholder, you can subscribe for a maximum of 41,666 Shares which will cost \$5,000. There is a minimum limit of 8,333 Shares that you can subscribe for under the Plan, which will cost \$1,000.

Please note that the maximum limit applies to you even if you receive more than one Offer from the Company. For example, if you are both a sole and a joint shareholder of the Company as at 14 September 2005, you can only apply for Shares under the Offer once, either in your capacity as sole shareholder or joint shareholder, not both.

No fractions of Shares will be issued.

8. Beneficiaries

If on 14 September 2005 a trustee or nominee is expressly noted on the register of members as holding Shares on account of another person (a "**Beneficiary**"):

- (a) the Beneficiary is taken to be the registered holder in regard to those Shares; and
- (b) any application for the issue of Shares or certification for the purposes referred to in the Application Form by, and any issue of Shares to, the trustee or nominee, is taken to be an application or certification by, or an issue to, the Beneficiary.

Trustees and nominees, if expressly noted on the register of members, may apply for one maximum parcel of Shares in respect of each Beneficiary.

9. Costs of Participation

The only cost to you associated with the Offer is the issue price of the number of Shares you wish to subscribe for. Under the Offer you do not have to pay for brokerage, commission or other transaction costs which would normally apply when you acquire Shares on market.

10. Allotment of Shares and Variation on Number of Shares Issued

The Shares will be allotted within 10 business days after the closing date.

The Company's share registry, Advanced Share Registry Services, will send to you a holding statement in due course.

Without limiting the above, the Company reserves the right to allot fewer Shares than an eligible shareholder applies for under the Offer or no Shares, in the Company's discretion or if the Company believes the allotment of those Shares would contravene any law or the ASX Listing Rules. No interest will be paid on any money returned. In the event the Company wishes to allot fewer Shares than an eligible shareholder applies for or is not permitted to issue all the Shares offered as a result of any law or ASX Listing Rule, the Company will use its best endeavours to allocate Shares to Shareholders applying for Shares on a pro-rata basis.

11. What Rights Will the Shares Carry?

Once the Shares are issued, they will rank equally with existing Shares in the Company and will carry the same voting rights, dividend rights, and entitlements to dividends, rights and bonus issues.

12. Can the Company Change the Plan?

The Plan may be changed, suspended or terminated by the Company at any time. If the Company changes, suspends or terminates the Plan it will advise ASX. The accidental omission to give notice of changes to or suspension or termination of the Plan or the non-receipt of any such notice will not invalidate the change, suspension or termination.

13. Directors' Participation

The directors of the Company, as eligible shareholders, may participate in the Offer (without having to obtain shareholder approval), on the same terms as all other shareholders in the Company.

14. How Do You Pay for the Shares?

All amounts in this Offer are expressed in Australian dollars. You must pay for the Shares by cheque in Australian dollars. Please make your cheque payable to "*Structural Monitoring Systems* " and cross the cheque with "**Not Negotiable**".

15. Please provide a cheque for the exact amount.

If you do not provide the exact amount, the Company reserves the right to return your Application Form and cheque.

If we do that, no Shares will be allotted to you.

The following table may help with your calculations:

8,333 Shares – Total amount payable at 12 cents per Share is \$1,000.
16,667 Shares – Total amount payable at 12 cents per Share is \$2,000.
25,000 Shares – Total amount payable at 12 cents per Share is \$3,000.
33,333 Shares – Total amount payable at 12 cents per Share is \$4,000.
41,666 Shares – Total amount payable at 12 cents per Share is \$5,000.

The minimum number of Shares you may subscribe for is 8,333 Shares for a consideration of \$1,000 and the maximum number of Shares you may subscribe for is 41,666 Shares for a consideration of \$5,000. You may apply for any number of Shares between the minimum and maximum number.

16. Will the Shares be quoted on the ASX?

The Company will apply for the Shares allotted to you to be quoted on the Australian Stock Exchange, within the relevant period specified in the ASX Listing Rules.

17. How is a Dispute Resolved?

The Company may settle any dispute in connection with the Plan in any manner it thinks fit, whether generally or in relation to any participant, application or Share. The Company's decision shall be final and binding.

The Company reserves the right to waive strict compliance with any provision of these Terms and Conditions.

HOW DO YOU APPLY FOR SHARES UNDER THE OFFER

1. If you want to participate in this Offer please carefully read the Terms and Conditions relating to the Offer.
2. Complete all the required details in the enclosed Application Form, noting that all amounts are expressed in Australian dollars:
 - (i) Enter the exact number of Shares you want to subscribe for noting that the minimum number of Shares is 8,333 and the maximum number of Shares is 41,666.
 - (ii) To work out the exact amount payable, multiply the number of Shares subscribed for by the price per Share of 12 cents and insert the total amount payable (in Australian dollars).
 - (iii) Complete the cheque details section and ensure that the "Amount" section corresponds to the exact amount payable for the Shares you wish to subscribe for. Remember, **the minimum is \$1,000 worth of Shares and the maximum is \$ 5,000 worth of Shares.**

- (iv) Insert your telephone contact numbers so that we may contact you if necessary.
 - (v) You do not need to sign the Application Form.
3. Write out a cheque for the exact amount of the Share parcel you want to subscribe for. Make the cheque payable to "***Structural Monitoring Systems*** " and cross the cheque with "**Not Negotiable**".

Return the completed Application Form, together with the cheque, to Advanced Share Registry Services, PO Box 1156, NEDLANDS WA 6909.

4. Ensure that your completed Application Form and cheque reach Advanced Share Registry Services by the closing date of the Offer being no later than 5pm (WST) on 29 September 2005. **No late applications will be accepted, although the Directors reserve the right to extend the closing date.**

In determining whether you wish to participate in this Offer you should seek personal financial and/or taxation advice referable to your own circumstances.

By accepting this Offer you agree to be bound by the Terms and Conditions of the Offer and the Constitution of the Company.

STRUCTURAL MONITORING SYSTEMS PLC
ARBN 106 307 322

TERMS AND CONDITIONS OF THE SHARE PURCHASE PLAN

1. DEFINITIONS

1.1 In this Plan unless the contrary intention appears:

"**Acceptance Period**" means the period commencing on the date on which Offers under the Plan are made to Shareholders and ceasing on the Closing Date;

"**Allotment Period**" has the meaning given in clause 5.3;

"**Allowable Cash Contribution**" has the meaning given in clause 5.3(a);

"**ASIC**" means Australian Securities Investment Commission;

"**ASX**" means Australian Stock Exchange Limited;

"**ASX Listing Rules**" means the listing rules of ASX;

"**Business Day**" means a day other than Saturday or Sunday on which Australian banks are open for business in Perth, Western Australia;

"**Closing Date**" means the date specified as such in the Offer, or such later date, as may be determined by the Directors as the closing date of the Offer;

"**Company**" means Structural Monitoring Systems plc ARBN 106 307 322;

"**Directors**" means the Directors for the time being and from time to time of the Company;

"**Issue Price**" means the price determined by the Directors of the Company from time to time;

"**Market Price**" means the average of the sale price per Share of Shares sold in the ordinary course of trading on the ASX during a specified period, as the Directors may determine, in the 30 days prior either to the date of the Offer or the date of the issue of Shares under the Offer;

"**Offer**" means an offer of Shares made to Shareholders under the Plan, from time to time;

"**Plan**" means the Structural Monitoring Systems plc Share Purchase Plan established in accordance with these Terms and Conditions, as amended from time to time;

"**Record Date**" means the date for determining a person's eligibility to participate in the Plan, as the Directors may determine;

"**Share Registry**" means the Company's share registry;

"**Shareholder**" means, subject to clauses 1.6 and 1.7, a person registered as the holder of Shares as at the Record Date;

"**Shares**" means fully paid ordinary shares in the Company;

"**SPP**" means a share purchase plan (including the Plan) in accordance with ASIC class order 02/831; and

"**Terms and Conditions**" means these terms and conditions, as amended from time to time.

- 1.2 Words importing gender include the masculine, feminine and neuter genders, and the singular includes the plural and vice versa.
- 1.3 Headings are included for convenience only and will not affect the construction or interpretation of the Plan.
- 1.4 A reference to a person includes a reference to a body corporate and vice versa.
- 1.5 Terms defined in the Corporations Act have the same respective meanings in this Plan, unless the contrary intention appears.
- 1.6 **Joint holders:** if a Shareholder is recorded with one or more other persons as the joint holder of a holding of Shares, that joint holding is considered to be a single registered holder for the purposes of this Plan in respect of that holding. If the same joint holders receive more than one offer under the Plan due to multiple identical holdings, the joint holders may only apply for one maximum parcel of Shares.
- 1.7 **Trustees and nominees:** if a trustee or nominee is expressly noted on the register of members as holding Shares on account of another person (a "**Beneficiary**"):
 - (a) the Beneficiary is taken to be the registered holder in regard to those Shares; and
 - (b) any application for the issue of Shares or certification for the purposes of clause 5.2 by, and any issue of Shares to, the trustee or nominee, is taken to be an application or certification by, or an issue to, the Beneficiary.

2. THE PLAN

- 2.1 The Plan is a method by which eligible Shareholders may elect to subscribe for additional Shares by making contributions, pursuant to an Offer made by the Company.
- 2.2 Participation by eligible Shareholders in the Plan is optional and is non-renounceable.

3. ELIGIBILITY

- 3.1 Subject to clauses 3.2, 3.3 and 3.4, all Shareholders are eligible to participate in Offers made under the Plan.
- 3.2 No Shareholder will be eligible to participate in the Plan until the Company accepts that Shareholder's application form in accordance with clause 4.1.
- 3.3 The Directors have decided that the right to participate in the Plan will not be available to Shareholders who have registered addresses in a country or place other than Australia.
- 3.4 The date for determining eligibility is the relevant Record Date.
- 3.5 Each Shareholder is solely responsible for obtaining any government or regulatory approvals and consents necessary for that Shareholder to be eligible to participate in the Plan.
- 3.6 If an application form is rejected, the Company must notify the Shareholder of the rejection as soon as practicable thereafter and return to the Shareholder any contribution made by that Shareholder. No interest will be paid on any money returned.

4. APPLICATION FORMS

- 4.1 The Company will not accept an application form from an eligible Shareholder unless:
 - (a) the application form is fully and correctly completed;
 - (b) it is received by the Company during the Acceptance Period; and
 - (c) the Shareholder attaches the contribution that is to be made pursuant to that application form.

5. OPERATION OF THE PLAN

- 5.1 Each contribution received by the Company from or on behalf of a Shareholder in response to an Offer will, subject to these Terms and Conditions, be used to acquire additional Shares.

Shares issued under the Plan will be priced and issued by the Company at a discount to the Market Price, as determined by the Directors of the Company from time to time.

The issue price will be rounded down to the nearest cent.

- 5.2 A Shareholder's contribution to the Plan in response to an Offer, must:
 - (a) be for such minimum Shares or contribution amount as determined by the Directors; and

- (b) when aggregated with any contributions made under any other SPP, not exceed in total \$5,000 in any consecutive 12 month period,

and a Shareholder must provide the Company, on application for Shares in response to an Offer, with a certification to that effect.

5.3 Subject to clause 6.5, in respect of each contribution received from a Shareholder, the Company will, within 10 business days after the end of the Acceptance Period ("**Allotment Period**"):

- (a) credit the Shareholder with so much of the contribution as does not exceed \$5,000 when added to all other SPP contributions (if any) received from the Shareholder in the preceding 12 months ("**Allowable Cash Contribution**");
- (b) determine the maximum number of additional Shares rounded up to the nearest whole number priced in accordance with clause 5.1 which may be acquired by the Shareholder using the amount of Allowable Cash Contribution credited to the Shareholder;
- (c) allot the number of additional Shares to the Shareholder; and
- (d) return to the Shareholder so much of the contribution as exceeds the limit of \$5,000 (if any), when all SPP contributions made during the preceding 12 months are aggregated.

6. **SHARES ALLOTTED UNDER THE PLAN**

- 6.1 Subject to Company's Constitution, all Shares issued under the Plan will rank equally in every respect with the existing issued Shares of the Company.
- 6.2 On each occasion Shares are allotted under the Plan to a Shareholder, the Company will procure the Share Registry to issue a holding statement to that Shareholder for the total number of Shares allotted to that Shareholder in accordance with the ASX Listing Rules.
- 6.3 Shares will be allotted and application will be made by the Company to officially quote the Shares issued under the Plan on the ASX within the relevant period specified in the ASX Listing Rules.
- 6.4 Shares will not be allotted under the Plan unless and until all necessary shareholder approvals are obtained to ensure that the issue of the Shares does not contravene any laws or the ASX Listing Rules.
- 6.5 The Company reserves the right to allot fewer than a Shareholder applies for pursuant to an Offer or no Shares in any of the following circumstances:
 - (a) the Company wishes to raise a specified amount under the Plan and the amount raised from applications received is in excess of that specified amount. In the event the Company raises in excess of such specified

amount, the allocation of Shares to applicant Shareholders will be at the discretion of the Directors from time to time;

- (b) the necessary shareholder approval for the issue of Shares is not obtained; or
- (c) the Company believes that the allotment of those Shares would otherwise contravene any law or ASX Listing Rule. In the event the Company is not permitted to issue all the Shares offered as a result of any law or ASX Listing Rule, the allocation of Shares to applicant Shareholders will be at the discretion of the Directors from time to time.

7. COSTS TO SHAREHOLDERS

No brokerage, commission or other transaction costs and no stamp duties will be payable by Shareholders on allotments of Shares to Shareholders under the Plan.

8. DURATION OF THE PLAN

The Plan will operate until terminated by the Directors.

9. MODIFICATIONS AND TERMINATION OF THE PLAN

9.1 The Directors may at any time resolve to:

- (a) vary the Plan and any agreement relating to the Plan in compliance with the Corporations Act;
- (b) suspend the operation of the Plan; or
- (c) terminate the Plan.

9.2 Any variation, suspension or termination of the Plan, made in accordance with clause 9.1:

- (a) subject only to clause 9.3, will be effective from the date of such resolution or otherwise from a date determined by the Directors; and
- (b) will not give rise to any liability on the part of or right of action against the Company or the Directors.

9.3 The Directors may at any time prescribe the manner in which notice to Shareholders of any variation, suspension or termination of the Plan will be given or deemed to have been given to Shareholders, including, without limitation, by an announcement by the Company to ASX, which notice will be effective immediately on the giving of that notice of variation, suspension or termination in the manner prescribed by the Directors.

9.4 The accidental omission to give notice of any variation, suspension or termination of the Plan to any Shareholder in the manner so prescribed by the Directors pursuant to clause 9.3 or, where applicable, the non-receipt of any

such notice by any Shareholders will not invalidate the variation, suspension or termination of the Plan.

10. DISPUTES

The Directors may resolve any dispute concerning the Plan in such manner as they see fit or adopt any administrative procedures in relation to the Plan as they deem appropriate. The decision of the Directors will be final and binding on the parties to the dispute or Shareholders or both, as the case may be.

11. NOTICES

11.1 Notices to the Company will only be effective if in writing, and in such form as the Company directs from time to time, and sent to the Company at its Share Registry, or such other address as is notified by the Company from time to time.

11.2 Notices must be received by the Company during the Acceptance Period to be effective for the issue of Shares that relate to that period. Notices received after the Acceptance Period will not be effective.

12. GOVERNING LAW

The Plan, the Terms and Conditions, and the operation of the Plan shall be governed by the law of the state of Western Australia.