



**STRUCTURAL
MONITORING
SYSTEMS**
p l c

(registered in England No. 4834265
ARBN 106 307 322)

NOTICE OF ANNUAL GENERAL MEETING

and

EXPLANATORY STATEMENT

-and

PROXY FORM

DATE AND TIME OF MEETING:

30 November 2005 at 10.00 am WST

VENUE:

The Twilight Room
Rendezvous Observation City Hotel
The Esplanade
Scarborough Beach
Western Australia

These documents should be read in their entirety. If shareholders are in any doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor.

NOTICE OF ANNUAL GENERAL MEETING
STRUCTURAL MONITORING SYSTEMS PLC
REGISTERED NO 04834265

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**Meeting**") of members of Structural Monitoring Systems Plc ("**the Company**") will be held at the Twilight Room, Rendezvous Observation City Hotel, The Esplanade, Scarborough Beach, Western Australia on Wednesday 30th November 2005 at 10:00 am WST.

The accompanying Proxy Form forms part of this Notice of Annual General Meeting ("**Notice**").

An Explanatory Statement containing information in relation to the following Resolutions accompanies this Notice.

A G E N D A

BUSINESS

Receipt of Financial Report, Directors' Report and Auditor's Report

To receive the Financial Report of the Company for the year ended 30 June 2005 together with the Directors' Report in relation to that financial year and the Auditor's Report on the financial report.

RESOLUTION 1: RE-ELECTION OF DIRECTOR

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

Mr Robin John Dean

"That Mr Robin John Dean who retires by rotation in accordance with Article 22.5 of the Company's Articles of Association and, being eligible, offers himself for re-election, be re-elected as a director".

Note: Information about Mr Dean is set out in the Structural Monitoring Systems Plc 2005 Annual Report.

RESOLUTION 2: RATIFICATION OF PREVIOUS ISSUE OF SECURITIES

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the Company ratify and approve the issue of 26,666,668 fully paid ordinary shares in the capital of the Company at an issue price of 12 cents per share on the terms and conditions set out in the Explanatory Statement attached to and forming part of this Notice of Meeting."

Short Explanation: An equity issue can be ratified by shareholders in accordance with ASX Listing Rule 7.4. This allows the Company flexibility to issue shares and options to subscribe for fully paid shares in the future up to the threshold of 15% of its total ordinary securities in any 12 month period. Please refer to the Explanatory Statement for details.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by any person who participated in the issue and any of their associates. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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RESOLUTION 3: APPROVAL TO GRANT OPTIONS TO MR MARK VELLACOTT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purpose of ASX Listing Rule 10.14 and for all other purposes, the Directors be and are hereby authorised to grant, pursuant to the Employee Share Option Plan, the following options, each to acquire one ordinary fully paid share issued in the capital of the Company, to Mr Mark Vellacott, the Managing Director of the Company, or his nominee:

- a. 250,000 options exercisable at 20 cents each on or before 31 August 2007;*
- b. 250,000 options exercisable at 25 cents each on or before 31 August 2008; and*
- c. 250,000 options exercisable at 30 cents each on or before 31 August 2009,*

and otherwise on the terms and conditions set out in the Explanatory Statement attached to and forming part of this Notice of Meeting.”

Short Explanation: ASX Listing Rule 10.14 provides that an entity must not permit a director of the entity to acquire securities under an employee incentive scheme without shareholder approval. Please refer to the Explanatory Statement for details.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by a director of the Company, any person who may participate in the proposed issue or who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed, or any associates of those persons. . However, the Company need not disregard a vote if it:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 4: RE-APPOINTMENT OF AUDITORS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That PKF (UK) LLP be re-appointed as auditors of the Company until the conclusion of the next annual general meeting of the Company. The directors of the Company are hereby authorised to fix the remuneration of the Company’s auditors.”

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OTHER BUSINESS

To transact any other business which may lawfully be brought before the Meeting.

For the purposes of Resolutions 1 – 4, the following definitions apply:

"Articles of Association" means the Company's articles of association, as amended from time to time;

"ASX" means Australian Stock Exchange Limited;

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

"Company" means Structural Monitoring Systems plc Registered No. 04834265;

"Directors" means the directors of the Company; and

"WST" means Australian Western Standard Time.

PROXIES

Shareholders are advised that:

- Each shareholder has a right to appoint a proxy;
- The proxy need not be a member of the Company;
- A shareholder that is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified then each proxy may exercise one half of the votes.

The Company specifies the following address and facsimile number for the purposes of receipt of proxy appointments:

Postal Address: Structural Monitoring Systems Plc
 PO Box 2067
 Churchlands WA 6018

Facsimile: +61 08 9204 4866

The instrument appointing the proxy must be received by the Company at the address specified above or by facsimile at least 48 hours before the time notified for the meeting (that is, by 10:00 am on 28 November 2005).

Shares held at close of business on 28 November 2005 will be taken, for the purposes of the annual general meeting, to be held by the persons who held them at that time.

BY ORDER OF THE BOARD



Colin R McDonald
COMPANY SECRETARY

Dated: 14 October 2005

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EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the purposes of the ASX Listing Rules. The purpose of this Explanatory Statement is to provide Shareholders with all the information known to the Company that is material to Shareholders in deciding whether or not to approve the proposed Resolutions.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

Certain capitalised terms in this Explanatory Statement are defined in the Glossary.

RESOLUTION 1 – RE-ELECTION OF DIRECTOR

Resolution 1 seeks approval for the re-election of Robin John Dean as a Director with effect from the end of the Meeting.

Article 22.5 of the Articles of Association provides that at each Annual General Meeting one-third of the Directors or, if their number is not a multiple of three, then such number as is appropriate to ensure that no Director holds office for more than 3 years, shall retire from office.

Robin John Dean retires from office in accordance with this requirement and submits himself for re-election.

RESOLUTION 2 – RATIFICATION OF PREVIOUS ISSUE OF SECURITIES

Resolution 2 seeks approval under Listing Rule 7.4 to ratify the issue of 26,666,668 Shares for the purposes of Listing Rule 7.1, which provides generally that a company may not issue shares or options to subscribe for shares equal to more than 15% of the company's issued capital in any 12 month period. Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold set by Listing Rule 7.1. The effect of such a ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the company without requiring shareholder approval (subject to the Company having sufficient authorised capital at the relevant time and authority under sections 80 and 95 of the 1985 Act).

The issue of 26,666,668 Shares did not breach the 15% threshold set by Listing Rule 7.1 however the Company is seeking approval under Listing Rule 7.4 pursuant to this Resolution, to allow the Company to issue a further 15% of its issued capital in future without reference to the shares issued under this Resolution.

For the purposes of Listing Rule 7.5, the following information is provided to Shareholders:

- 20,833,333 Shares were issued on 2 September 2005 and 5,833,335 shares were issued on 8 September 2005;
- The issue price of the Shares was 12 cents per Share;
- The Shares issued are fully paid ordinary shares ranking equally in all respects with existing ordinary fully paid issued shares in the Company;
- The Shares were issued to the following allottees:
 - 19,800,000 to Orbis Capital Limited;
 - 1,033,333 to Mr Simon Marais; and
 - 5,833,335 to institutional clients of KTM Capital; and
- The funds raised (being approximately \$3.2 million (before costs)) are being used to provide working capital for the continued commercialisation of the Company's CVM™ technology.

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RESOLUTION 3 – APPROVAL TO GRANT OPTIONS TO MR MARK VELLACOTT

1. INTRODUCTION

The Company appointed Mr Mark Vellacott as Managing Director on 15th June 2005. He had previously joined the Company as Chief Executive Officer in November 2004.

Mr. Vellacott has an impressive record in the aerospace industry and brings a depth of experience and skill to the management team. Prior to joining Structural Monitoring Systems, Mr Vellacott was the Technical Director for the Asia Pacific Space Centre project, based in Sydney.

Mr Vellacott has had 21 years experience with British Aerospace and subsequently BAE SYSTEMS in the areas of Military Aircraft and Corporate Development. From 1998 to 2001 Mr Vellacott was Head of Engineering Technology at BAE SYSTEMS Australia, and was responsible for managing the company's technology acquisition programs including operation of the Technology Board.

During his time with BAE SYSTEMS Australia, Mr Vellacott represented BAE SYSTEMS as Chairman of the Board and President of the Electronic Industry Association, and served on a number of technology based Advisory Boards. He was elected as a fellow of the Royal Aeronautical Society in 2001, and is a Chartered Engineer. Mr Vellacott holds a B.Sc in Aeronautical Engineering, an M.Sc in Systems Engineering and a Masters of Business Administration.

2. GRANT OF OPTIONS

The options that are proposed to be granted to Mr Vellacott will be issued pursuant to the Company's Employee Share Option Plan.

The proposed options to be granted to Mr Vellacott are as follows:

Tranche	No	Exercise Price	Expiry Date	Vesting Conditions
A	250,000	20 cents	31 August 2007	Exercisable 1/9/2005–31/8/2007
B	250,000	25 cents	31 August 2008	Exercisable 1/9/2006-31/8/2008
C	250,000	30 cents	31 August 2009	Exercisable 1/9/2007-31/8/2009

The total number of Options to be granted to Mr Vellacott have been negotiated with Mr Vellacott at arm's length and it is considered by the other Directors to be appropriate remuneration for Mr Vellacott in light of his skill, expertise and reputation.

In order to retain an executive of Mr Vellacott's calibre, the Company believes it is important to offer Mr Vellacott an options package that aligns his rewards with those of the Shareholders over an extended period of time and links those rewards with the performance of the Company.

3. LISTING RULE 10.14

Listing Rule 10.14 requires shareholders to approve the grant of options to a Director pursuant to the Employee Share Option Plan. Listing Rule 10.14 broadly requires shareholder approval by ordinary resolution to any issue by a listed entity of securities to a related party. As Mr Vellacott is a related party of the Company, shareholder approval is pursuant to Resolution 3.

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The terms and conditions of the options proposed to be granted to Mr Vellacott pursuant to this Resolution 3 are set out in this Explanatory Statement and in the Structural Monitoring Systems plc Employee Share Option Plan contained in Annexure A to this Explanatory Statement.

For the purposes of Listing Rule 10.15, the following information is provided to Shareholders:

- (a) the options will be granted to Mr Vellacott, who is a director and the CEO of the Company, or his nominee;
- (b) the maximum number of options to be granted under this Resolution 3 is 750,000;
- (c) the options the subject of Resolution 3 will be granted to Mr Vellacott on a date not later than one month after the date of this Annual General Meeting;
- (d) the options will be granted to Mr Vellacott for no consideration as part of his remuneration package as a director of the Company and pursuant to the Employee Share Option Plan. The exercise price of the options was calculated in accordance with the Employee Share Option Plan and as such is not less than the weighted average closing share price on the ASX over the 5 trading days immediately preceding the day of which the Directors resolved to offer the options to Mr Vellacott, being 5 October 2005;
- (e) the Company has not yet granted any options under the Employee Share Option Plan;
- (f) all Directors, or their permitted nominees, are entitled to participate in the Employee Share Option Plan but for the purpose of Resolution 3 at this time the Company is only seeking to grant options to Mr Vellacott, or his permitted nominee;; and
- (g) the Company will not be offering any loans under the Employee Share Option Plan.

4. LISTING RULE 7.1

It is noted that these options are being granted under the Employee Share Option Plan. A summary of the terms of the Employee Share Option Plan was set out in the Company's prospectus dated 30 June 2004, prior to the Company's listing on ASX. Accordingly, under Listing Rule 7.2 Exception 9, approval under Listing Rule 7.1 is not required.

RESOLUTION 4 – RE-APPOINTMENT OF AUDITORS

Resolution 4 seeks shareholder approval for the re-appointment of PKF (UK) LLP as the Company's auditors and for the Directors to fix their remuneration.

The Company received a notice dated 23 May 2005 from PKF that it had transferred its business to PKF (UK) LLP. Section 26(5) of the Companies Act 1989

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GLOSSARY/ APPENDIX A

“Articles of Association”	The Company's articles of association, as amended from time to time.
“ASX”	Australian Stock Exchange Limited (ACN 008 624 691)
“ASX Listing Rules” or “Listing Rules”	The official Listing Rules of ASX as amended from time to time.
“1985 Act”	Companies Act 1985 (as amended)
“Director”	A director of Structural Monitoring Systems.
“Employee Share Option Plan”	The Structural Monitoring Systems plc Employee Share Option Plan, the rules of which are set out in Annexure A to the Explanatory Statement.
“Meeting” or “Annual General Meeting”	The Annual General Meeting of the Company to be held on 30 November 2005
“Notice of Meeting”	The notice convening the Meeting, which accompanies this Explanatory Statement.
“Resolutions”	Resolutions in the Notice of Meeting.
“Share”	A fully paid ordinary share in the capital of the Company.
“Shareholder”	The registered holder of a Share.
“Structural Monitoring Systems” or “Company”	Structural Monitoring Systems plc (ARBN: 106 307 322).
“WST”	Western Standard Time.

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ANNEXURE A

Employee Share Option Plan Rules

1. Invitation to Employees

- (a) The Board may, from time to time, determine who is entitled to participate in the Option Plan and may issue invitations to apply for the grant of Options to the Employee or a Relative or Associate nominated by the Employee.
- (b) On issue of invitations to apply for Options, the Company must send the Employee an Application which must be signed by the Employee and returned to the Company within 5 Business Days.
- (c) On the Company receiving the signed Application, the Company must grant the relevant number of Options to the Option holder and issue the Option holder with an Option Certificate.

2. Option Entitlement

Each Option gives the Option holder the right to subscribe for 1 Ordinary Share at the Exercise Price.

3. Option Period

- (a) Each Option expires at 5.00pm on the Expiry Date.
- (b) Options automatically lapse if not exercised before expiry.

4. Option Exercise

- (a) Subject to any restrictions imposed under Rule 7, the Option holder may exercise some or all Options. The Option holder may only exercise Options by lodging with the Company during the Exercise Period:
 - (i) the Option Certificate;
 - (ii) a duly completed and signed Exercise Notice; and
 - (iii) the subscription monies for the relevant Ordinary Shares being, subject to these Rules, the number of Options exercised multiplied by the Exercise Price.
- (b) On allotment and issue to the Option holder of the Ordinary Shares specified in an Exercise Notice, the Option Certificate lodged with the Company by the Option holder under Rule 4(a) must:
 - (i) if all the Outstanding Options have been exercised, be cancelled by the Company; and
 - (ii) if only some of the Outstanding Options have been exercised, be appropriately endorsed by the Company and then returned to the Option holder or cancelled and a new certificate for the remaining Options issued to the Option holder.

5. Option Allotment Date

The Company must allot and issue to the Option holder the number of Ordinary Shares which corresponds with the number of Options specified in the Exercise Notice on or before the date of the next Board meeting following the valid exercise of Options and in any event not later than 15 Business Days after the date of exercise of the Options.

6. Option Assignment

The Option holder cannot assign Options or any interest or right in respect of those Options. This does not prevent the exercise of the Options by the estate of a deceased Option holder.

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7. Exercise Price and Exercise Restrictions

- (a) The Exercise Price will be the price fixed by the Board prior to the grant of the Options.
- (b) Unless a greater Exercise Price is fixed under Rule 7(a), the Exercise Price is the Initial Price.
- (c) In no circumstances may the Exercise Price be less than \$0.20.
- (d) The Options may be subject to such other restrictions on exercise as may be fixed by the Board prior to grant of the Options including, without limitation, length of service by the Employee with the Group and threshold prices at which Ordinary Shares in the Company are traded on the Australian Stock Exchange Limited. Any restrictions so imposed by the Board must be set out on the Option Certificate.
- (e) The Board may in its absolute discretion, waive satisfaction of restrictions on exercise fixed under Rule 7(d) either unconditionally or subject to compliance with any other exercise restriction that is less onerous than that previously fixed.

8. Adjustment to Number of Outstanding Options

Any adjustment to the number of Outstanding Options under a reorganisation of the Company's share capital must be made in accordance with the Listing Rules.

9. Adjustments to Exercise Price

Any adjustment to the Exercise Price under a reorganisation of the Company's share capital must be made in accordance with the Listing Rules.

10. Bonus and Cash Issues

- (a) On a Bonus Date, each Option immediately confers on the Option holder the right:
 - (i) to receive on exercise of those Outstanding Options not only the allotment of 1 Ordinary Share for each of the Outstanding Options exercised but also an allotment or issue of such additional shares or other securities as if the Option holder participated in that bonus issue in respect of a holding of Ordinary Shares of a number equal to the Ordinary Shares that would have been allotted to the Option holder had he or she exercised those Outstanding Options immediately before that Bonus Date; and
 - (ii) to have profits or reserves, as the case may be, applied in paying up in full those additional shares or other securities.
- (b) Other than as allowed under Rule 10(a), the Options do not entitle the Option holder to participate in any new issue of securities of the Company or any other company, except in the capacity as a Shareholder following exercise of the Options.

11. Pari Passu Ranking

- (a) Subject to Rule 11(b), any Ordinary Shares allotted pursuant to Options will:
 - (i) in the case of the Ordinary Shares originally under option, rank pari passu in all respects with other Ordinary Shares of the Company on issue at the relevant Exercise Date; and
 - (ii) in the case of any additional shares or other securities under option by virtue of any bonus issue referred to in Rule 10, rank pari passu with the other shares or other securities issued by virtue of the bonus issue.
- (b) The Company must apply for official quotation on the Australian Stock Exchange Limited of Ordinary Shares allotted and issued pursuant to the exercise of any Options as soon as practicable after allotment and issue and in any event within 10 Business Days after allotment and issue.

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12. Takeover and Winding up

- (a) If a takeover bid causes or is likely to cause a change in control of the Company, the Board has the discretion to give Option holders an immediate right to exercise their Options. This discretion may only be exercised to ensure, where possible, that Option holders are able to exercise the Outstanding Options within the time available to accept the takeover offer.
- (b) If notice is duly given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, every Outstanding Option will be exercisable (but so that any exercise under this Rule 12(b) will only be valid if, at the time of such resolution being passed, that Option would not have lapsed under any of the other Rules) at any time between the date of the notice and the date the resolution is duly passed or defeated or the meeting concluded or adjourned indefinitely, whichever occurs first. If such resolution is duly passed all Options will, to the extent that they have not been exercised, immediately lapse.

13. Stamp Duty

Any stamp duty payable on the issue and allotment of Ordinary Shares acquired on the exercise of the Options must be borne by the allottee of the Ordinary Shares.

14. Option Cancellation

An Option issued to an Option holder in respect of an Employee will expire on the earlier of the following:

- (a) the date shown as the Expiry Date on the face of the Option Certificate;
- (b) the date that employment with the Company ceases irrespective of the reason.
- (c) the date 1 year after the death or total and permanent disability (evidenced to the satisfaction of the Board) of the Employee.

15. Limit on Capital

- (a) Subject to Rules 15(b) and 15(c), the number of Shares underlying the Options granted under this Plan when aggregated with:
 - (i) the number of Ordinary Shares that would be issued if all options granted under all employee share option plans of the Company were exercised; and
 - (ii) the number of Ordinary Shares issued by the Company during the preceding 5 years under any employee share plan and employee share option plan,must not exceed 5% of the issued Ordinary Shares at the time of grant of the Options.
- (b) Ordinary Shares or Options that may be issued without the need to issue a disclosure document in accordance with Section 708 of the Corporations Act (for example, issues to an Executive) will be excluded from the calculation of the number of Options granted to employees under existing plans under Rule 15(a).
- (c) Rule 15(a) does not restrict the Company from granting Options under this Plan where a prospectus has been lodged with the Australian Securities and Investments Commission in respect of the grant of those Options.

16. ASIC Requirements

The Company must use its reasonable endeavours to satisfy the conditions imposed by the Australian Securities and Investments Commission from time to time in a class order or exemption from or modification to the requirements of the Corporations Act relieving the Company from the obligation to lodge a prospectus in accordance with Chapter 6D of the Corporations Act.

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17. Termination of the Plan

The Plan terminates on whichever first occurs of the following:

- (a) an order being made or an effective resolution being passed for the winding up of the Company other than for the purpose of amalgamation or reconstruction; or
- (b) the Company determining, in its discretion, that the Plan be wound up.

18. Interpretation

- (a) The Board's interpretation of the meaning and effect of these Rules will be conclusive and binding on the Option holder.
- (b) These Rules are to be interpreted subject to the Listing Rules.