



STRUCTURAL
MONITORING
S Y S T E M S
p l c

(Registered in England with Company No. 4834265
ARBN 106 307 322)

NOTICE OF ANNUAL GENERAL MEETING

and

EXPLANATORY STATEMENT

and

PROXY FORM

DATE AND TIME OF MEETING:

27 November 2006 at 10.00 am WST

VENUE:

The Coral 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 2006 Annual General Meeting ("**Meeting**") of members of Structural Monitoring Systems Plc ("the **Company**") will be held at the Coral Room, Rendezvous Observation City Hotel, The Esplanade, Scarborough Beach, Western Australia on Monday 27th November 2006 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 2006 together with the Directors' Report in relation to that financial year and the Auditor's Report on the financial report.

RESOLUTION 1: RE-APPOINTMENT OF DIRECTOR

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

Sir John Walker

"That Sir John Walker who retires by rotation in accordance with Article 22.5 of the Company's Articles of Association and, being eligible, offers himself for re-appointment, be re-appointed as a director of the Company".

Note: Information about Sir John Walker is set out in the Structural Monitoring Systems Plc 2006 Annual Report.

RESOLUTION 2: RE-APPOINTMENT OF DIRECTOR

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

Malcolm Richmond

"That Professor Malcolm Richmond who was appointed as a director of the Company since the last annual general meeting retires in accordance with Article 22.2 of the Company's Articles of Association and, being eligible, offers himself for re-appointment, be re-appointed as a director of the Company".

Note: Information about Malcolm Richmond is set out in the accompanying Explanatory Statement.

RESOLUTION 3: 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 are hereby authorised to fix the remuneration of the Company's auditors."

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For the purposes of the Resolutions, the following definitions apply:

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

"Company" means Structural Monitoring Systems plc, registered in England with Company No. 04834265;

"Directors" means the directors of the Company;

"Meeting" or "Annual General Meeting" means the 2006 annual general meeting of the Company to be held on 27 November 2006;

"Resolutions" means resolutions 1 to 3 set out in the Notice to be proposed at the Annual General Meeting; 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 23 November 2006).

Shares held at close of business on 23rd November 2006 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: 20 October 2006

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REGISTERED NO 04834265

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the purposes of providing 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-APPOINTMENT OF DIRECTOR

Resolution 1 seeks approval for the re-appointment of Sir John Walker 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 three or a multiple of three, then such number as is nearest to and exceeding one third shall retire from office.

Sir John Walker retires from office in accordance with this requirement and submits himself for re-appointment.

RESOLUTION 2 – RE-APPOINTMENT OF DIRECTOR

Resolution 2 seeks approval for the re-appointment of Malcolm Richmond as a Director with effect from the end of the Meeting.

Article 22.2 of the Articles of Association provides that a Director who has been appointed by the Board, either to fill a vacancy or as an additional Director, shall retire at the next annual general meeting.

Professor Malcolm Richmond, having been appointed a Director on 17 October 2006, retires from office in accordance with this requirement and submits himself for re-appointment.

Professor Richmond BSc (HONS), BCom is Professorial Fellow at the University of Western Australia, jointly to the Business School and Faculty of Engineering, Computing and Mathematics. His special interests include corporate strategy, leadership in large organisations, technology management, entrepreneurship and innovation and commercialisation of research and development.

Prior to this appointment, Professor Richmond spent 30 years with the Rio Tinto Group including the position of Managing Director of Research and Development and Vice President Strategy and Acquisitions. Immediately prior to his retirement he held the position of Managing Director Development of Hamersley Iron Pty Limited, Deputy Chairman of the Australian Minerals Research Council, Vice President of the WA Chamber of Minerals and Energy, non-executive Director of Amdel Limited and non-executive Director of Hismelt Corporation (Australia's single largest research project). Currently he holds a number of posts including non-executive director of Magnesium International Ltd, and Safe Effect Pty Ltd. Professor Richmond is a Fellow of the Australian Academy of Technology, Science and Engineering, Australian Institute of Company Directors and an ex-Chairman of both The Resources Institute of Western Australia and Territory Iron Pty Ltd.

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RESOLUTION 3 – RE-APPOINTMENT OF AUDITORS

Resolution 3 seeks shareholder approval for the re-appointment of PKF (UK) LLP as the Company's auditors and for the Directors to fix their remuneration.

Section 385 of the Companies Act 1985 (the “**1985 Act**”) requires a specific resolution appointing or re-appointing a company’s auditors to be passed at every annual general meeting of the company at which accounts are laid. Resolution 3, therefore, proposes the re-appointment of PKF (UK) LLP as the Company’s auditors until conclusion of the next annual general meeting.

In accordance with section 390A(1) of the 1985 Act, the remuneration of auditors appointed by a company in general meeting is to be fixed by the company in general meeting or in a manner that the company in general meeting determines. Resolution 3 authorises the directors of the Company to fix the remuneration of the auditors in accordance with this requirement.

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GLOSSARY/ APPENDIX A

“Articles of Association”	The Company's articles of association, as amended from time to time
“1985 Act”	Companies Act 1985 (as amended)
“Director”	A director of Structural Monitoring Systems
“Meeting” or “Annual General Meeting”	The 2006 annual general meeting of the Company to be held on 27 November 2006
“Notice of Meeting”	The notice convening the Meeting, which accompanies this Explanatory Statement
“Resolutions”	The proposed resolutions set out in the Notice of Meeting
“Share”	A fully paid ordinary share in the capital of the Company
“Shareholder”	The registered holder of one or more Shares
“Structural Monitoring Systems” or “Company”	Structural Monitoring Systems plc, registered in England and Wales with Company Number 4834265 (ARBN: 106 307 322)
“WST”	Western Standard Time