



13 November 2008

## **RIGHTS ISSUE**

Dear Shareholder

The Company has announced a non-renounceable Rights Issue of one (1) New Share for every one (1) Existing Share at AU\$0.015 per share to raise up to AU\$ 3,810,371, with one (1) free attached Option with an Exercise Price of AU\$0.015 exercisable within a two year period.

The primary objective of the Rights Issue is to raise sufficient working capital to protect and maintain the patent protection of the Intellectual Property (IP) generated from the years of development and investment in the Comparative Vacuum Monitoring (CVM™) technology, and also to provide the working capital for the Company to market and meet the demand for the Company's structural monitoring products.

The Company has received increasing orders for CVM™ instrumentation and sensors, and has continued to process these orders from stock and by engaging production staff on a contract basis. However, the current stock and working capital will only last a short time and additional working capital is urgently required to enable the Company to fulfil orders and continue to operate. In addition a number of customers have indicated that they are withholding orders until the Company has sufficient working capital to continue.

If sufficient funds are raised it is the intent that the Company will continue to operate on the greatly reduced cost structure that has resulted from the restructure of the operations. Research activities have been suspended, and focus is now on production, sales and product support to meet the projected increase in customer demand for CVM™ products.

The Board reserves the right to refund monies raised from the Rights Issue if it is deemed that they are insufficient to enable the Company to adequately protect its Intellectual Property, and provide the required level of working capital to reasonably see the Company through to a cash positive position.

The success of this Rights Issue is therefore critical to the future of the Company as the Board will not be able to allow the Company to continue in the absence of sufficient working capital.

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**ARBN 106 307 322**

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

The Board has determined that the Rights Issue will not be offered to shareholders resident outside of Australia, New Zealand and United Kingdom. Structural Monitoring Systems has determined that it is not economically viable for it to make offers to these shareholders due to the cost of meeting compliance requirements with securities laws in each applicable jurisdiction in which these foreign shareholders reside.

The Company reserves the right in its absolute discretion to offer the Rights Issue to a shareholder with an address in the CDI Register outside Australia, New Zealand and the United Kingdom if the Company is satisfied that it is not precluded from lawfully issuing New Shares to that shareholder either unconditionally or after compliance with conditions which the Board in its sole discretion regard as acceptable.

#### **RIGHTS ISSUE TIMETABLE**

Offer document lodged with ASX	12 November 2008
Letter sent to shareholders	13 November 2008
“ex” date	14 November 2008
Record date	20 November 2008
Offer document sent to eligible shareholders	21 November 2008
Acceptances close	5 December 2008
Securities quoted on a deferred settlement basis	8 December 2008
Notify ASX of undersubscriptions	10 December 2008
Despatch date	15 December 2008

The Offer Document is available on the ASX website and the Company website at [www.smsystems.com.au](http://www.smsystems.com.au).

Yours faithfully



Colin McDonald  
Company Secretary