



8 December 2006

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

Dear Sir

\$1.2 MILLION BRAZILIAN DEVELOPMENT AND QUALIFICATION PROGRAM

The Company is pleased to announce that the Brazilian government has approved funding to the Brazilian University of Uberlandia for a three year program for the development and qualification an in-flight Comparative Vacuum Monitoring (CVM) system to be available to be incorporated into future Embraer aircraft. The program is due to commence in January 2007.

SMS will provide CVM instrumentation, sensors and consultancy services to the program. The total value of the program to SMS will be US\$890,000 (AU\$1,200,000), with the first year of funding being US\$223,500 (AU\$300,000).

Embraer, the Empresa Brasileira de Aeronáutica S.A., is a Brazilian aircraft manufacturer with a highly successful record of the design and manufacture of innovative regional and commercial jet product lines. Embraer has become one of the largest aircraft manufacturers in the world by focusing on specific market segments with high growth potential in commercial, defence, and executive aviation.

Embraer was Brazil's largest exporter from 1999 to 2001, and is at present one of the top three exporting companies in Brazil. Among aircraft manufacturers, it currently has the fourth largest workforce (behind Boeing, Airbus and Bombardier), and the third largest yearly delivery of commercial aircraft (behind Boeing and Airbus).

SMS Managing Director, Mark Vellacott said "The approval of funding for the Company's involvement this program by the Brazilian government emphasises the high level of support that our CVM technology has from the world's leading aircraft manufacturing industries, and the central role that CVM is playing in the innovation of Structural Health Monitoring systems for future new aircraft."

Yours faithfully

Colin McDonald
Company Secretary

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