

2008 Annual General Meeting

Chairman's Address



Welcome to the Seeing Machines 2008 Annual General Meeting. I will briefly review the achievements of the past year and then I will hand over to our CEO Nick Cerneaz who will also address you. After this we will be happy to take any questions that you may have.

The 2008 financial year has been a very good one for Seeing Machines. We have again achieved record revenues, built upon an increasingly diversified revenue base, and concluded the year at June 30, 2008 by posting the Company's first full year profit. This sound financial performance is based on the diversification and growth of our product and revenue base as per our medium to long term strategic plans and coupled with our good cash position provides a solid foundation for future growth.

Initially I will review the company's performance through 2008, both the general highlights and the company's financial performance and funding arrangements, and then comment on the forward corporate strategy and operational plans to ensure that we deliver on the opportunities and inherent potential within the company.

The major highlights for the 2008 year include:

- Total revenue for the year increased 55% to A\$4.4 million.
- The company posted its maiden profit of A\$327,000.
- A secondary placing on AIM was successfully completed securing A\$3.1 million net of costs in additional capital to fund further product commercialization efforts.
- Existing key shareholders in the company made further investments in that placing, including the Australian National University and Volvo Technology AB of Sweden.
- The company opened a new office in the Boston area of the United States, to promote sales and business development of all the company's products, and
- We appointed several key new team members during the year, including:
 - Mr Dean Croke, as Vice President North American Automotive Business based in the Boston office, and
 - Mr Chris McKee, as Chief Financial Officer / Finance Director based in the Canberra office.

Dean brings extensive operational experience to the company in the heavy vehicle road freight transport and motor coach industries, in both Australia and the United States, with a particular focus on managing driver drowsiness in those environments. Dean has been a tremendous addition to the Seeing Machines team and as our representative based in the Boston office provides our American clients with a local and direct interface to the company. Our effort to build the new DSS business in these regions has been greatly enhanced by Dean's presence and efforts.

Chris McKee joined the company as CFO last November and has brought both rigour and sharp financial controls to the company as well as long term strategic financial planning and execution to support our dynamic and growing company. In his previous role as Asean Regional Financial Controller for Hyder Consulting P/L, the Australian subsidiary of Hyder Consulting plc a UK listed engineering consulting company (HYC.L), he was responsible for key financial aspects of the group's Asean operations through Australia, New Zealand, Vietnam and Singapore and reporting into the UK listed parent company. Chris has made significant contributions to the smooth operation of the Company, both the short term statutory aspects and the long term strategic matters, as well as positive engagement with AIM and the investment community generally.

On a product by product basis the company has achieved a number of very pleasing results through 2008, including:

- faceLAB® achieved another year of record sales at A\$2.5 million for the year;
- DSS, the advanced driver monitoring system, established significant new commercial contracts and a number of new clients across the globe. The recent opening of the Company's new office in the Boston area, providing support to this product across the Americas (among other purposes), illustrates both the recent successes during 2008 and our future prospects in this market;
- The TrueField Analyzer, our ophthalmic vision testing product, has met the relevant regulatory hurdles for the United States market, receiving 510k marketing clearance from the US Food and Drug Administration in August 2007. The technical development of the product is proceeding well and in anticipation of its introduction to market the device has been presented at the major trade exhibitions through the year to tremendous reception. At the most recent of these, the American Academy of Ophthalmology Annual Meeting in Atlanta, Georgia earlier this month, Dr Ted Maddess, a consultant to the company working on the development of the TFA, was presented with a "Best Paper" award for his paper about the TFA at the meeting. That reception by the ophthalmic community is indicative of the impact that the TFA is having in the community.
- And finally, the new faceAPI product has been introduced recently to a broad spectrum of markets, including computer gaming, security, entertainment and a variety of marketing and advertising applications to name a few. The product has already begun to generate new licensing revenues for the company and has a strong pipeline of business development opportunities ahead.

Like the two years that preceded 2008, this financial year was again a record revenue year with total revenue increasing 55% over the previous year to A\$4.4 million. Revenue from the sale of goods increased 90% over the previous year to nearly A\$3.9 million, whilst contract work, grant funding and earned interest made up the majority of other revenues.

Net expenditure for the year increased in line with the growth in commercial activity with cost of sales, marketing, travel costs and establishment of the American office all contributing to that increase.

After capitalising various development costs in line with the accounting standards the company achieved a net profit of A\$326 thousand. This is the company's maiden full year profit and is largely due to the strong revenue performance of the faceLAB and DSS businesses and tight control of expenditure. As previously mentioned, faceLAB achieved record sales of A\$2.5 million in 2008 and the DSS achieved sales of a little over A\$1.4 million in its first year on the market.

In addition to the strong financial performance of both faceLAB and DSS the 2008 year saw further development of the faceAPI and TrueField Analyzer products. As previously mentioned the initial faceAPI product was recently launched, in July 2008, and has made a solid start building a new business for the company. The TrueField Analyzer continues to be refined in preparation for introduction to the ophthalmic vision testing market, with initial introduction planned for the United States.

The products described here are the practical embodiment of our strategic objectives and the investments made in their development and marketing through the period have been very worthwhile. Through this process we continue to build the diversified business and revenue base that underpins the forward strategies for the Company.

We have typically funded the various product and business development efforts from three main sources of funds:

- operational income generated from the sale of goods, and services;
- Australian government grant funding; and
- investment capital.

Within these broad categories the 2008 year can be characterized as having delivered the largest ever total revenue of A\$4.4 million, shown a contraction in grant funding to A\$612 thousand, and finally included a new investment funding round via a secondary placing on AIM in October 2007 raising A\$3.1 million net of costs.

In recent years Seeing Machines has embarked on a strategy to build our business through diversification of products and lines of business, building new businesses and revenue streams across a variety of market sectors and opportunities. To minimize development and establishment costs, and to leverage greater return across the breadth of that activity, all of our products are built on a central common technology platform.

That common technology platform allows us to build products suited to both licensing or royalty based business models such as the faceAPI and portions of our DSS offering, and also for product based sales models, either by direct or distributor representation, such as the faceLAB, DSS and TrueField Analyzer.

From this foundation our plans moving forward are to grow the company based on growth of the respective business lines, particularly the new DSS, faceAPI and TrueField Analyzer businesses. Each of these represents in their own right a tremendous opportunity for both the company and our shareholders. Our primary objective is to build shareholder value in the company through continued commercial growth. Having built strength and redundancy into our operations over the last year, delivered new products to market, progressed the development of others to be launched in the near future, established a North American sales and business development presence and generally bolstered our distribution network we are well placed to further build our company and its commercial successes.

2008 has been a good year for the company, perhaps best illustrated by achieving the company's maiden profit. Of course there is much work to be done ahead, both this year and beyond to realize our potential and to crystallize the value that exists within, however we are excited about the future and look forward to delivering on that.

I'll now handover to Nick Cerneaz to deliver the CEO report.

Fulton Muir
Chairman
27 November 2008.

2008 Annual General Meeting

CEO Address



Thank you Fulton, and good evening to all. As Fulton has mentioned the 2008 financial year has indeed been another good year for Seeing Machines. In 2007 we consolidated a strong technology position by moving forward the development of a series of products that we believed would be relevant in the marketplace and well positioned to generate commercial success. In this last year some of those opportunities have indeed moved on to become commercial successes, whilst others form a pipeline of forward opportunity to further progress the commercial growth of the company in line with our corporate strategy as outlined by Fulton a few moments ago.

Given that backdrop I would like to elaborate on Fulton's overview in a number of areas, providing some more detail and outline our plans for the various paths ahead.

As has been noted our total sales revenue has increased 55% to A\$4.4 million, and revenue from the sale of goods is up 90% to nearly A\$3.9 million. The majority of that increase has come through the growth of our new DSS business which generated A\$1.4 million in new revenue in its first year on the market. The DSS is our advanced driver assistance technology to help drivers manage drowsiness and distraction.

At last year's AGM we noted a significant increase in the 2007 year's internal spend on product development for the DSS. That investment was described last year as being a notable shift in both the state of the technology itself and the Seeing Machine's business more generally as we sought to diversify away from the single product offering of our previous operations to a broader based revenue model with growth opportunities and adequate operational strength to sustain our growing company. Pleasingly we are now seeing the fruits of that effort coming through in these improved operational performances.

In 2008 we have deployed the DSS product across approximately a dozen countries, concluded significant supply contracts for the technology, principally in the road transport fleet market segment. We also established a variety of new pilot trials of the technology with potential commercial opportunities that will provide the basis for additional commercial deals through this year and beyond. These opportunities cover not only road transport fleets, but also other sectors of the transportation markets including motor coach, private fleets, mining and rail operations to name but a few.

The DSS activities mentioned here are all related to our *direct* DSS business, the so called "aftermarket" sector of the automotive market. In this sector we deliver DSS products to existing operators to supplement the risk management controls within their operations to assist drivers and fleet managers to manage the risks of driver drowsiness and distraction.

Our product roadmap in this segment includes both internal cost reduction via hardware and software developments, and also extension of the software suite to provide fleet managers with high quality management software delivering detailed data analysis and reporting capabilities. Each of these developments improves the product traction in these markets and increases the barriers to entry for competitors.

With a number of pilot studies underway for the DSS in a variety of market segments we are confident of the future prospects for our DSS business and its ability to support the continued growth of the company.

Beyond these aftermarket opportunities Seeing Machines has been working for many years with high volume manufacturers in the automotive industry, the so called "Tier 1" layer of companies in the industry. The purpose of these relationships has been to establish a channel partner for manufacture and supply of our DSS drowsiness and distraction monitoring technology to the new vehicle manufacturers in the passenger vehicle and heavy freight transport sectors. Through 2008 we have further pursued these opportunities and have made real progress toward realizing that objective. This same period has also seen consumer demand for advanced safety systems in both retail passenger and commercial vehicle sectors developed further, and alongside a vehicle's environmental and operational efficiency attributes this ranks as a very important consideration in typical buying decisions. Such market pull has helped our commercialization objectives for this sector, and coupled with our recent technology developments and forward roadmap, we look forward to substantial progress in realizing this sector's objectives in the near term.

The start up of this new direct DSS business created through 2008 provides a tremendous platform for continued growth ahead. As Fulton has mentioned we opened a new sales and business development office in the United States as part of the company's strategic plan to locate customer facing personnel in the field close to the relevant markets. This is a general strategy of the company and in time may lead to additional region offices being opened as market demand and operational performance warrant that expansion. We are however, ever mindful of containing expenditure, especially in light of the continued uncertainty regarding future global economic conditions.

The primary focus to date for the new Boston office has been to support development of our DSS business. At the present time, that focus is being expanded to provide additional resources and support to our active faceLAB and faceAPI businesses and consequently we expect to see further growth ahead in these products within the American markets.

Fulton has mentioned that at a technology level we have sought to build our entire product portfolio on a common technology platform. In terms of containing expenditure this strategy allows us to minimize development costs whilst maximizing the technology and product gains. The most salient illustration of the common platform model is the faceAPI product itself, and indeed its underlying technology. The faceAPI is a toolkit that gives third party product and systems developers the necessary tools to embed face and facial feature tracking technology within their products and services. The product is truly agnostic in terms

of market, sector and application purpose, being equally applicable across a very wide range of applications, in areas as diverse as aerospace through to zoology. With significant opportunities in computer gaming, computer visualization and virtualized 3D graphics applications, medical imaging, marketing and information kiosks, security, sporting and entertainment applications, the faceAPI is very well placed to develop into a substantial business within the Seeing Machines operations.

It may be an interesting point for some to note that the faceAPI product is itself a significant element of the underlying technology within our other products – faceLAB, DSS and the TrueField Analyzer all incorporate the faceAPI technology as a platform within them. By using the common platform in our products we leverage the development efforts in one area across all products making our development operations particularly efficient.

As mentioned previously our 2008 financial results were built on the strength of our existing faceLAB business and the new DSS business. The recent launch of the faceAPI product line has brought online the new thread of our diversification and growth plans. The next such thread in our current development portfolio concerns the TrueField Analyzer. Fulton has already outlined the continued development progress to refine the product for initial launch into the United States markets and I would like to spend a few moments adding a few more details.

Through the 2008 financial year we achieved a number of milestones including obtaining 510k marketing clearance from the US Food and Drug Administration, progressing the product design, both hardware and system software, and importantly further refined the scientific algorithms and technical performance of the device. Those refinements have led to a number of new patent applications being lodged by the team at the Australian National University working on the product to ensure the IP is adequately captured.

Fulton has given an overview of our efforts to present the device at the major ophthalmic meetings, principally the ARVO and AAO meetings in the United States. We continue to market the device at these and similar meetings as part of the strategy to build market awareness and technology acceptance prior to introduction of the device for commercial sale. A significant component of building that awareness and acceptance relates to the technical acceptance of the device by the luminaries in the field and then the broader general ophthalmic community. The recent best paper award presented to Dr Maddess at this month's AAO meeting for his paper about the development of the TFA helps in this regard. The other major element of our effort is to deliver the device to respected luminaries in the field for independent evaluation. Through this last year we have had the device installed at a number of independent sites in both Australia and the United States (in Texas and Florida). This work is ongoing and will contribute to the broader marketing collateral needed to ensure the necessary market acceptance of the product.

As mentioned in the Director's report we have maintained a strong dialog with a significant number of potential channel partners for the TrueField Analyzer, both global licensing opportunities and widespread distributor representation. The renewed exposure of the

device at the recent AAO meeting has further enhanced our relationships with these potential channel partners and we are therefore, well positioned to be able to deliver this product to market following its commercial launch. In conclusion I am very pleased with the progress of the TrueField Analyzer through the 2008 year and I look forward to bringing it to market as soon as possible.

Naturally any company needs sufficient capital to execute their plans. During the establishment phases of Seeing Machines we have traditionally maintained a substantial development agenda, and coupled with limited, but growing, operational revenues we have had to seek additional external funding to support our efforts. In the past that support has included both government grant funding and a number of private and public capital raisings.

In October 2007 we concluded a further capital raising via a secondary placing on AIM (which followed the company's IPO on the AIM board in December 2005). Despite the difficult market conditions at the time, the placing was fully subscribed at 2.5 pence per share, which at a slight premium to the prevailing mid-market price of 2.375 pence per share was a pleasing outcome. Especially so in light of the general turmoil that has engulfed the global financial markets since then. Net of expenses the placing delivered A\$3.1 million of new capital to the company allowing us to proceed with the company's accelerated product commercialization plans. These funds have helped to drive commercialization of the new business lines as described previously.

As I have described previously, the company is not seeking to raise further funds at this time from the market. Rather, after careful consideration the Seeing Machines Board believes that our present cash reserves, current commercial activity and our prospects for the future commercial activity all support the view that we have sufficient reserves to support our ongoing activities.

I mentioned above that a traditional source of funding for the company has been the receipt of Australian Government Grant monies. Fulton has mentioned that in the 2008 financial year our receipt of such funds contracted relative to previous years. In the most part that contraction is related to our own efforts to significantly grow the operational performance of the business, and to become less reliant on this source of funding. We will however continue to seek grant funding where possible to provide an added avenue for funding to support our development efforts.

In terms of Seeing Machines' specific involvement in these grant funding schemes we have enjoyed a number of grants over the years, the most significant in recent times was a two-year grant of A\$2.1 million awarded in August 2006 to support the continued commercialization of the TrueField Analyzer. That grant has made a meaningful contribution to our efforts through 2008 to bring the TrueField Analyzer to market, and we gratefully acknowledge this support from the Australian government and indeed the Australian taxpayer.

Whilst mentioning grant funding it is worth noting however, that the new Australian Federal Government elected to power in late 2007 has taken a decision within this year to close the Commercial Ready Grant scheme that had operated for some years. This program has been tremendously supportive of the Australian technology sector over many years and this was a very disappointing outcome for the whole sector. For companies like Seeing Machines, the support offered by such a scheme is invaluable to their operations. The recent conclusion of the government's Innovation Review has provided a number of recommendations for new incentives to fill to void left by the withdrawal of the Commercial Ready scheme. We fully support the proposed incentives raised in the Review's final report and would encourage the Australian government to adopt the principle recommendations without delay.

Before closing I would like to take a moment to acknowledge the tremendous efforts of the entire Seeing Machines staff. Through 2008 we have expanded our geographical presence with the addition of a new office in the United States. That of course brings with it a number of complications associated with staff spread across different time zones and disconnected work environments. For the most part our team have worked very hard to ensure the lines of communication remain open despite the late nights that that often entails.

Of course, we have also spread our efforts across a broader product portfolio and the associated development projects that support that. This could also present opportunities for isolation and separation among staff working on separate areas, even though they may be physically right beside one another. That sense of isolation is perhaps most apparent for those members of our team that spend considerable time on the road meeting colleagues, clients and prospects. Without exception our team have worked together to ensure an efficient and productive work environment. I am very grateful to the efforts of all within our team and I wish to extend to you all my personal thanks for your help in making Seeing Machines the successful company that we are today.

As a last point, I just made reference to the "work environment". I am very pleased to advise that Seeing Machines will be relocating our Canberra office to new premises this weekend. After a very happy 8 years based in this Innovations Building at the Australian National University the time has come for us to move to a new office located in the Braddon area of Canberra's central business district. From next Monday the company's operations will be conducted from this new office space. Our web site will be updated over the weekend to advise of the new locations and relevant contact details as appropriate.

With that I will conclude by simply noting that a lot has changed through 2008, and building on these successful developments, Seeing Machines is eagerly pursuing our plan of building the business and the associated shareholder value through this year and beyond.

Thank you.

Nick Cerneaz,
Chief Executive Officer
27 November 2008.