



28th March 2007

SEEING MACHINES LIMITED

("Seeing Machines" or "the Company")

REVIEWED INTERIM RESULTS FOR SIX MONTHS TO 31 DECEMBER 2006

Seeing Machines Limited (AIM: SEE) announces its reviewed interim results for the six months to 31 December 2006.

Financial Highlights

- Revenue increased 18% to A\$1.394m (31 December 2005: A\$1.181m)
- Sales of faceLAB[®] remain strong at A\$1.034m for the half year (31 December 2005: A\$1.152m)
- Contract Revenue A\$353k (31 December 2005: \$6k)
- Loss before tax A\$141k (31 December 2005: \$62k)

Operational Highlights

- Award of a Commercial Ready Grant worth A\$2.1m over 2 years for TrueField Analyzer[®], our medical device to help doctors detect and manage glaucoma and other eye diseases;
- faceLAB[®] 4.3 released and sales of over A\$1 million for the half year;
- Release of the Driver State Sensor Research (DSS-R), a new product offering for research and fleet trial implementation;
- Excellent progress on a number of automotive projects;
- Good progress on the development and commercialisation of the TrueField Analyzer[®] including clinical and scientific trials, software development, hardware development, regulatory approval and Intellectual Property protection;
- Commencement of the faceAPI project that will make Seeing Machines computer vision technology accessible to application developers everywhere.

Fulton Muir, Chairman stated, 'The company has made very good progress during the half year in its research and development and commercialisation activities across a number of projects including faceLAB[®], TrueField Analyzer[®], automotive projects and faceAPI.'

Copies of this announcement will be available from the Company's registered office, Innovations Building, Level 3, Corner Eggleston & Garran Roads, Acton ACT 2601, Australia and the website www.seeingmachines.com.

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Seeing Machines Limited – Half-Year Report
ABN 34 093 877 331

Directors' Report

Your directors submit their report for the half-year ended 31 December 2006.

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

James Fulton Muir, AO	Non Executive Chairman
Nick Cerneaz	Executive Director
David Gaul	Non Executive Director
Anthony Kinnear	Non Executive Director – resigned 30 November 2006
Rob Sale	Non Executive Director
Trent Victor	Non Executive Director
Alex Zelinsky	Non Executive Director
William Mobbs	Non Executive Director – appointed 18 October 2006

REVIEW AND RESULTS OF OPERATIONS

Review of 1st half of our Seventh Year of Operations

The first half of the 2007 financial year has seen pleasing progress in a number of areas of the business.

Operational highlights for the half-year include:

- Award of a Commercial Ready Grant worth A\$2.1m over 2 years for TrueField Analyzer®, our medical device to help doctors detect and manage glaucoma and other eye diseases;
- faceLAB® 4.3 released and sales of over A\$1 million for the half-year;
- Release of the Driver State Sensor Research (DSS-R), a new product offering for research and fleet trial implementation;
- Excellent progress on a number of automotive projects;
- Good progress on the development and commercialisation of the TrueField Analyzer® including clinical and scientific trials, software development, hardware development, regulatory approval and Intellectual Property protection;
- Commencement of the faceAPI project that will make Seeing Machines computer vision technology accessible to application developers everywhere.

Financial Results

Revenue for the half-year to 31 December 2006 was A\$1.394 million, A\$212,224 higher than the period to 31 December 2005. This increase in revenue was due to a significant increase in contract revenue up from \$6,483 at 31 December 2005 to \$359,080 at 31 December 2006. Other income for the half-year was \$85,814 down from \$195,966 the previous half-year. This was due to the deferral of grant income in the current period.



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Director's Report (continued)

Net expenditure for the half-year was A\$1,620,683 up from A\$1,439,210 on the prior half-year. This was due to higher staffing levels and higher corporate fees, now that Seeing Machines is a listed company.

The loss for the half-year to 31 December 2006 was A\$141,338 compared to a loss of \$61,937 for the half-year to 31 December 2005. This was due to increased costs associated with the company's research and development and commercialisation activities.

The company had \$1,685,583 in cash at 31 December 2006 compared to \$3,126,142 at 31 December 2005 which was immediately following the IPO. Net assets increased to \$3,908,044 at 31 December 2006 compared to \$3,866,210 at 31 December 2005.

Operational Highlights

faceLAB®

In October 2006 we released faceLAB® 4.3 which brought improved head and eye-gaze calculation, yielding greater accuracy and robustness over previous versions of faceLAB®. That release also included a new smaller form-factor hardware platform, which reduced system complexity and setup time, and increased experimental flexibility. This new platform provides manufacturing and inventory efficiencies and has already reduced the time between the receipt of an order and shipment to the end customer.

TrueField Analyzer®

All facets of this project progressed during the half-year including:

- scientific trials;
- large scale clinical study;
- regulatory approval;
- IP Protection (including trademarks in several jurisdictions);
- Industrial design and hardware development;
- Software development;
- Early stage commercialisation activities.

The work on this project was greatly assisted by the award in August 2006 of an Australian Government Commercial Ready Grant of \$2.1 million to be paid in instalments over 2 years. We were also supported in this project by our partners at the Australian National University Research School of Biological Sciences including Dr Ted Maddess and Dr Andrew James as well as the Canberra Eye Hospital.

Automotive

Strong progress has been made across a number of automotive projects with the focus being on using the core vision processing technology to develop driver safety systems.

We entered into an agreement as part of our involvement as an R&D participant in the Co-operative Research Centre for Advanced Automotive Technology (AutoCRC) for a project called Vision Based Collision Avoidance which is initially focused on speed sign recognition but which will also examine other safety issues including pedestrian detection and integrated lane departure warning. Seeing Machines is the project lead and is working with Latrobe University and the Australian National University along with industry participants GM Holden and Australian Arrow. A prototype of the speed sign system working in a car was delivered in December 2006.



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Director's Report (continued)

A field trial of the Driver Fatigue and Distraction System has continued with a major oilfield services and mining company in Texas. This has been a collaborative effort with our automotive technology commercialization partner, Hella KGaA Hueck & Co (Hella) which has enabled us to test the technology under real world conditions.

In November 2006 we released the Driver State Sensor – Research (DSS-R) a research and fleet trial implementation of the DSS technology based on the system trialled in the US.

We have continued to work with our partners Hella and have commenced work on a new technology demonstrator of an integrated driver assistance and driver monitoring system for a major European automotive manufacturer.

faceAPI™ /SDK

A significant amount of research has been completed to refresh the company's key vision algorithms in order to keep us in the lead with core key head tracking technology. This research is currently being incorporated into the company's key products including faceLAB® and the DSS-R as well as other developments.

We have also commenced negotiations with a number of companies who wish to licence one or more of our core vision algorithms to build the capability into their products.

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, Ernst & Young. The signed declaration is included after this report.

Signed at Canberra this 28th day of March 2007 in accordance with a resolution of the directors made pursuant to section 306(3) of the *Corporations Act 2001*.

Fulton Muir
Chairman

Nick Cerneaz
Chief Executive Officer
and Director

Auditor's Independence Declaration to the Directors of Seeing Machines Limited

In relation to our review of the financial report of Seeing Machines Limited for the half-year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

James Palmer
Partner
28 March 2006



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Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006		31 December 2006	31 December 2005
	Note	A\$	A\$
Sale of goods		1,034,452	1,174,825
Contract Income		359,080	6,483
Revenue	3(a)	1,393,532	1,181,308
Other income	3(b)	85,814	195,966
Cost of sales	3(c)	(293,320)	(353,624)
Employee benefits expense	3(d)	(721,379)	(784,051)
Depreciation and amortisation expense	3(e)	(131,391)	(76,180)
Other expenses	3(f)	(474,594)	(163,461)
Finance costs	3(g)	0	(61,895)
Loss before income tax		(141,338)	(61,937)
Income tax relating to operations		-	-
Loss after tax from operations attributable to members		(141,338)	(61,937)
Loss per share (cents per share)			
• basic for loss for the half-year attributable to ordinary equity holders of the company		(0.070)	(0.031)
• diluted for loss for the half-year attributed to ordinary equity holders of the company		(0.055)	(0.030)



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Balance Sheet

AS AT 31 DECEMBER 2006	Note	As at 31 December 2006 A\$	As at 30 June 2006 A\$	As at 31 December 2005 A\$
CURRENT ASSETS				
Cash and cash equivalents	5	1,685,583	2,407,053	3,126,142
Trade and other receivables		982,908	639,373	550,857
Inventories		120,669	129,370	97,878
Other		10,902	39,380	7,045
TOTAL CURRENT ASSETS		2,800,062	3,215,176	3,781,922
NON-CURRENT ASSETS				
Property, plant and equipment		276,020	251,648	144,671
Intangible assets		264,802	221,240	251,258
Capitalised development costs		2,580,556	1,404,971	590,555
Other		3,496	3,311	2,635
TOTAL NON-CURRENT ASSETS		3,124,873	1,881,170	989,119
TOTAL ASSETS		5,924,935	5,096,346	4,771,041
CURRENT LIABILITIES				
Trade and other payables		740,966	705,966	610,552
Deferred revenue		1,195,637	408,451	271,024
TOTAL CURRENT LIABILITIES		1,936,603	1,114,417	881,576
NON-CURRENT LIABILITIES				
Interest bearing loans and borrowings		0	0	0
Provisions		80,287	68,692	23,255
TOTAL NON-CURRENT LIABILITIES		80,287	68,692	23,255
TOTAL LIABILITIES		2,016,890	1,183,109	904,831
NET ASSETS		3,908,044	3,913,237	3,866,210
EQUITY				
Contributed equity		6,553,932	6,528,748	6,550,344
Accumulated losses		(3,279,610)	(3,138,272)	(3,065,132)
Other reserves		633,722	522,761	380,998
TOTAL EQUITY		3,908,044	3,913,237	3,866,210



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Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006		Issued Capital	Accumulated Losses	Employee Equity Benefits Reserve	Total Equity
	Note	A\$	A\$	A\$	A\$
At 1 July 2006		6,528,748	(3,138,272)	522,761	3,913,237
Loss for the half-year			(141,338)		(141,338)
Issues of ordinary shares during the half-year					
Exercise of options		15,000		(10,184)	4,816
Share based payment		10,184		121,945	131,329
At 31 December 2006		6,553,932	(3,279,610)	633,722	3,908,044
At 1 July 2005		3,394,946	(3,003,195)	51,066	442,817
Loss for the half-year			(61,937)		(61,937)
Issues of ordinary shares during the half-year					
Exercise of options		16,373			16,373
Issue of share capital		3,848,550			3,848,550
Transaction costs		(1,159,525)			(1,159,525)
Conversion of Convertible Notes		450,000			450,000
Share based payment				329,932	329,932
At 31 December 2005	2(b)	6,550,344	(3,065,132)	380,998	3,866,210

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006	31 December 2006	31 December 2005
	A\$	A\$
Net income recognised directly in equity	0	0
Loss for the half-year	(141,338)	(61,937)
Total recognised income and expense for the half-year	(141,338)	(61,937)
Attributable to equity holders of the company	(141,338)	(61,937)



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Cashflow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006	Note	31 December 2006 A\$	31 December 2005 A\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,180,939	974,864
Grants received		795,317	175,776
Payments to suppliers and employees		(1,367,254)	(942,679)
Interest received		35,198	13,916
Finance costs paid		0	(83,421)
NET CASH FLOWS FROM OPERATING ACTIVITIES		644,200	138,456
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of plant and equipment		(98,225)	(15,802)
Proceeds from disposals of plant and equipment		429	0
Payments for intangible assets		(56,006)	(19,859)
Payments for research and development costs		(1,226,868)	(334,149)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(1,380,670)	(369,810)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		0	0
Exercise of options		15,000	16,373
Issue of shares		0	3,837,434
Costs of listing on AIM		0	(1,159,524)
NET CASH FLOWS FROM FINANCING ACTIVITIES		15,000	2,694,283
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(721,470)	2,462,929
Cash and cash equivalents at beginning of period		2,407,053	663,213
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	1,685,583	3,126,142



Seeing Machines Limited – Half-Year Report
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Notes to the Half-Year Financial Statements

1. CORPORATE INFORMATION

The financial report of Seeing Machines Limited (the Company) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 28 March 2007.

Seeing Machines Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the AIM of the London Stock Exchange.

The nature of the operations and principal activities of the Company are described in the **Directors' Report**.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the company as the full financial report.

The half-year report should be read in conjunction with the annual Financial Report of Seeing Machines Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by Seeing Machines Limited during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) BASIS OF PREPARATION

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Australian Accounting Standards, including AASB 134 – Interim Financial Reporting. The half-year financial report has been prepared on a historical cost basis.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) RESTATEMENT OF COMPARATIVES

As disclosed at 30 June 2006, the company has recognised licences and applicable amortisation for technology underlying ongoing development, which has impacted on the 31 December 2005 comparatives. The effect of the adjustment to the comparative for 31 December 2005 was to decrease the loss after tax from operations attributable to members by \$25,141 from \$87,078 to \$61,937. This was due to capitalising an amount that had been previously expensed.



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Notes to the Half-Year Financial Statements (continued)

(c) SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report has been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2006, as described in Note 2(d).

(d) CHANGES IN ACCOUNTING POLICIES

There have been no new accounting standards that have been issued or amended that are applicable to the half-year reporting period ended 31 December 2006.



Notes to the Half-Year Financial Statements (continued)

(e) SEGMENT REPORTING

The company operates in one business and one geographical segment being research, development and production of computer vision technology in Australia. The company's primary product is faceLAB® which is marketed internationally.

	31 December 2006 A\$	31 December 2005 A\$
3. REVENUES AND EXPENSES		
(a) Revenue		
Sale of goods	1,034,452	1,174,825
Contract Income	359,080	6,483
	1,393,532	1,181,308
(b) Other income		
START Grant	0	123,394
BIF Grant	8,131	52,382
Recognition of deferred grant income	16,393	3,616
Interest Earned	60,861	13,917
Foreign Exchange gain	0	2,657
Profit on Disposal of assets	429	0
	85,814	195,966
(c) Cost of sales		
Cost of Goods Sold	(234,502)	(319,477)
Finishing Services	(5,361)	(2,970)
Packaging & Freight	(13,674)	(12,303)
Workshop Sundries	(5,942)	(12,211)
Production	(33,841)	(6,663)
	(293,320)	(353,624)
(d) Employee benefits expense		
Provision for Long Service	(11,594)	(10,749)
Share based payments	(121,145)	(329,932)
Salaries & Wages	(1,399,888)	(435,938)
Workers' Comp Insurance	(11,162)	(7,432)
Employee Benefits capitalised	822,410	0
	(721,379)	(784,051)



Notes to the Half-Year Financial Statements (continued)

	31 December 2006 A\$	31 December 2005 A\$
(e) Depreciation and amortisation expense		
Amortisation of intangible assets	(57,722)	(30,716)
Depreciation of property, plant and equipment	(73,669)	(45,464)
	<u>(131,391)</u>	<u>(76,180)</u>
(f) Other expenses		
Foreign Exchange Differences	(8,163)	0
Professional Fees	(150,263)	3,457
Audit Fees	(10,500)	(46,500)
Corporations Fees	(111,795)	(40,776)
Office and administration costs	(52,873)	(57,388)
Property Costs	(74,843)	(69,545)
Other expenses capitalised	106,445	225,343
Communications	(16,556)	(14,020)
International travel and marketing	(120,525)	(138,612)
Domestic travel and marketing	(35,521)	(25,420)
	<u>(474,594)</u>	<u>(163,461)</u>
(g) Finance costs		
Interest Expense	0	(61,895)

4. DIVIDENDS PAID AND PROPOSED

No dividends or distributions have been made to members during half-year ended 31 December 2006 and no dividends or distributions have been recommended or declared by the directors in respect of the half-year ended 31 December 2006.



Notes to the Half-Year Financial Statements (continued)

	31 December 2006 A\$	31 December 2005 A\$
5. CASH AND CASH EQUIVALENTS		
Reconciliation of cash		
Cash at the end of the half-year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
CASH AND CASH EQUIVALENTS		
Cash on hand	300	0
Cash at bank	126,785	3,052,765
Cash deposit	1,543,437	58,824
Term deposit	15,061	14,553
	1,685,583	3,126,142

(a) Financing facilities available

At reporting date, there was \$2,700 business credit card facility available but remained unused. The company's term deposit is pledged as security for the credit card facility.

6. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the half-year ended 31 December 2006, the company acquired assets with a cost of \$98,225 (2005: \$15,802).

Assets with a net book value of \$nil were disposed of by the company during the half-year ended 31 December 2006 (2005: \$nil), resulting in a gain on disposal of \$429 (2005:\$nil).

7. INTANGIBLE ASSETS

Acquisitions and disposals

During the half-year ended 31 December 2006, the company acquired intangible assets with a cost of \$56,006 (2005: \$19,859).

Intangible Assets with a net book value of \$nil were disposed of by the company during the half-year ended 31 December 2006 (2005: \$nil), resulting in a gain on disposal of \$nil (2005:\$nil).

Capitalised Development Costs

During the half-year ended 31 December 2006, the company capitalised development costs totalling \$1,226,868 (2005: \$334,149).



Notes to the Half-Year Financial Statements (continued)

8. SHARE-BASED PAYMENTS

Employee Share Option Plan

In July 2006, 4,027,265 share options were granted to employees under the Employee Share Option Scheme. The exercise price of \$0.0844 is equal to the market price of the shares on the date of the grant. The options will become exercisable between 31 December 2007 and 30 June 2009. The fair value of the options granted is estimated as at the date of the grant using the 'Hull White' method using a trinomial lattice model. The following table lists the key inputs to the model used to determine fair value of options issued in the half-years ended 31 December 2006 and 2005:

	2006	2005
Share price at grant date	8.39 c	7.56 c
Options exercise price	8.41c	5.16-7.56 c
Risk free interest rate	4.64%	5.34%
Exercise multiple	2.2	2.2
Volatility	45%	35%

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) in cents, of and movements in, share options issued during the half-year:-

	31 December 2006		31 December 2005	
	No.	WAEP A\$	No.	WAEP A\$
Outstanding at the beginning of the half-year	21,297,764	6.762 c	295	\$2,308.99
Forfeited during the half-year	(2,914,639)	7.414 c	(36)	\$2,308.99
Cancelled	0	0 c	(259)	\$2,308.99
Reissue of options during the half-year	0	0 c	5,342,405	5.130 c
Granted during the half-year (1)	4,027,265	8.440 c	14,913,379	7.461 c
Exercised during the half-year	(292,398)	5.130 c	(319,153)	5.130 c
Expired during the half-year	0	0 c	0	0 c
Outstanding at the end of the half-year	22,117,992	7.003 c	19,936,631	6.873 c

(1) The estimated fair value of each option at grant date is \$0.04 (2005 - \$0.03)

	2006	2005
The outstanding balance as at 31 December 2006 is represented by:		
Options over ordinary shares with an exercise price of 5.13 cents each and an estimated fair value at grant date of \$0.04	5,435,795	5,270,776
Options over ordinary shares with an exercise price of 7.5 cents each and an estimated fair value at grant date of \$0.03	14,665,855	14,665,855
Options over ordinary shares with an exercise price of 8.44 cents each and an estimated fair value at grant date of \$0.04	2,016,342	0
	<u>22,117,992</u>	<u>19,936,631</u>



Notes to the Half-Year Financial Statements (continued)

9. COMMITMENTS AND CONTINGENCIES

The Company has no finance leases or hire purchase contracts for items of plant and machinery.

The Company had two Commercial Property Leases one which expired in September 2006 which was renewed and runs until February 2008.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	31 December 2006	31 December 2005
	A\$	A\$
(a) Operating Lease (non-cancellable)		
Minimum lease payments:		
- not later than one year	8,082	28,502
- later than one year and not later than five years	1,347	0
Aggregate lease expenditure contracted for but not provided for at reporting date	9,429	28,502
(b) Expenditure commitments		
Estimated licence expenditure contracted for at reporting date, but not provided for, payable:		
- not later than one year	90,000	118,714
- later than one year and not later than five years	0	75,000
	90,000	193,714

10. RELATED PARTY DISCLOSURE

(a) Director-related entity transactions

All transactions with director-related entities were made under normal commercial terms and conditions.



Notes to the Half-Year Financial Statements (continued)

(b) Equity instruments of directors

Interest at balance date:

Interest in the equity instruments of Seeing Machines Ltd held by directors of the company and their director-related entities:

	Ordinary shares fully paid		Options over ordinary shares		Convertible Notes	
	2006 Number	2005 Number	2006 Number	2005 Number	2006 Number	2005 Number
A. Zelinsky ¹	87,417,493	4,238	-	-	-	-
R. Sale	1,175,743	171	-	-	-	150,000
A. Kinnear ²	990,099	48	-	-	-	-
N. Cerneaz	391,914	19	12,752,917	-	-	-
D. Gaul	1,000,000	-	-	-	-	-

- The interests disclosed for Alexander Zelinsky relates to Ordinary Shares held by JATS Technology Pty Ltd, a company in which he is interested in 24.4% of its issued shares at 30 June 2006.
- Anthony Kinnear's Ordinary Shares are held by Ezaspi Pty Ltd, a company wholly owned by Ritmarn Pty Ltd (the trustee of the Kinnear family trust). Anthony Kinnear is a director of Ritmarn Pty Ltd.

(c) Equity instruments of other related parties

Interest at balance date:

Interest in the equity instruments of Seeing Machines Ltd held by other related parties:

	Ordinary shares fully paid		Options over ordinary shares		Convertible Notes	
	2005 Number	2005 Number	2005 Number	2004 Number	2006 Number	2005 Number
	3,939,769 ¹	191	-	-	-	-

- This interest relates to shares held by Paula Kay Sale the wife of Rob Sale.

11. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events that have occurred after balance sheet date.



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Directors' Declaration

In accordance with a resolution of the directors of Seeing Machines Limited made on 28 March 2007, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2006 and of the performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB134 "Interim Reporting" and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Director

Canberra, 28th March 2007

Independent Review Report to the members of Seeing Machines Limited

Report on the Half-Year Condensed Financial Report

We have reviewed the accompanying half-year financial report of Seeing Machines Limited, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Seeing Machines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Seeing Machines Limited is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young