



Directors:

24 September 2007

James Fulton Muir, *Non-Executive Chairman*
Nicholas Cerneaz, *Executive Director*
Alexander Zelinsky, *Non-Executive Director*
Rob Sale, *Non-Executive Director*
Trent Victor, *Non-Executive Director*
David Gaul, *Non-Executive Director*
William Mobbs, *Non-Executive Director*

To the holders of Ordinary Shares (“Shareholders”)

Dear Shareholder

Placing of up to 56,000,000 new Ordinary Shares at 2.5 pence per share.

The Board announced today that Seeing Machines Limited (“Company”) intends to raise up to GBP1.4 million before expenses (approximately GBP1.350 million after expenses) by way of a placing of up to 56,000,000 new Ordinary Shares with existing and new investors. It is intended that the net proceeds from the Placing will be used to fund the commercialization activities for the Company’s core products namely:

- faceLAB®;
- TrueField Analyzer® (TFA);
- Driver State Sensor (DSS); and
- faceTRACKING API;

The Placing of ordinary shares is expected to be concluded in three tranches, the first tranche of 8,348,000 ordinary shares has been completed. The second tranche of 43,137,206 ordinary shares is conditional upon the Company obtaining approval from its Shareholders to increase the issued share capital of the Company to satisfy this Placing. A further tranche of up to 4,514,794 Ordinary Shares is expected to conclude shortly and a separate announcement will be made when the details are available.

The purpose of this letter is to outline the reasons for the Placing, to explain why the Board considers the Placing to be in the best interests of the Company and its Shareholders and why the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the General Meeting of the Company, notice of which has also been issued today.

Background

As you know, Seeing Machines is a computer vision company specializing in offering unique vision based technology solutions for a wide variety of applications. We package that underlying core technology in unique products that generate sales and licensing revenue across a range of industries including the automotive, medical, security, academic & industrial research and sports/entertainment sectors.

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In the intervening period since the Company's admission to AIM on 1 December 2005 significant product development work has been undertaken to bring new businesses and revenue streams on-line. That effort has seen the introduction of the Driver State Sensor products (DSS-R and DSS2), the release of the first generalized faceTRACKING API product, and development of the TrueField Analyzer®, our glaucoma diagnostic device, to the pre-production prototype stage. We have also updated our foundation product, faceLAB®, with a series of improvements that provide both new solutions for existing customers and also open new markets by offering capabilities that appeal to a broader marketplace. Further information about the developments for each of these products is discussed in the Director's Report accompanying the Company's Annual Report, also released today. The reader is referred to that report for details.

Whilst head pose, eye gaze and facial feature tracking constitute our core technology capabilities, the underlying strategy during this period has been to diversify the channels to market for delivering these technologies to users. We have moved from offering only the faceLAB® suite to now offering in addition the DSS and API products, and will shortly be introducing the TFA. These product families are highly symbiotic in underlying technologies, making the development effort both cost and time efficient. In certain cases they also share and cross-leverage sales and marketing efforts, for example through the shared focus of the faceLAB and DSS products on the automotive sector.

Though the DSS and API products are new to their respective markets they have already started to generate revenue for the Company and we are looking to aggressively pursue opportunities ahead to grow those revenue streams. The introduction of the TrueField Analyzer® in the near future is another key plank in our strategy to expand from the single product offering of the previous era.

Current Trading

As at 30 June 2007, and detailed in the Audited Financial Results of the Company for the year ended 30 June 2007 also released today, the net cash reserves were A\$1.375m (approximately GBP574k), a net reduction of A\$1.031m (approximately GBP430k) over the course of the full year to 30 June 2007.

The Company has been in a product development phase resulting in net cash burn, however we are now pursuing more significant product commercialization efforts as part of our strategy to transition the company to be self sustaining, and to use that as a platform for achieving significant commercial success.

Use of proceeds of the Placing

The Company intends to use the net proceeds of the Placing to fund, and importantly, to accelerate the commercialization of our product portfolio. With the recent introduction of the first commercial versions of the DSS and API products, and the pending introduction of the TrueField Analyzer the Company is well placed to build the respective businesses associated with these products, and the commercialization of these new products is the primary intended use for the Placing proceeds.

With the benefit of the additional funds raised through this Placing the Company will be able to aggressively pursue various business development, marketing, sales and production activities associated with making each of these business opportunities a success. The expected use of funds is as follows:

TrueField Analyzer commercialization	£650,000
DSS2 commercialization	£150,000
faceLAB and API market development	£420,000
Working capital	£130,000
Costs of raising	£50,000
Totals	£1,400,000

The presentation provided to potential investors in conjunction with the Placing is available from the investor page of the company website at www.seeingmachines.com.

Details of the Placing

The Company proposes to raise approximately **GBP1.4 million** (before expenses) through the issue of up to 56,000,000 Placing Shares at the Placing Price of 2.5 pence per Placing Share by way of a placing to investors. The Placing Shares will represent approximately 18 per cent of the Enlarged Share Capital after the completion of the Placing. The directors are extremely pleased that this placing will be done at 2.5 pence and not at a discount to the current share price of 2.375 pence as at 21 September 2007 and the resulting dilution that this would cause for existing shareholders.

The Placing Shares will rank *pari passu* with the existing Ordinary Shares and will rank in full for any dividends and distributions paid or made in respect of the Ordinary Shares after the date of Admission to AIM. It is expected that definitive evidence of title to the Placing Shares will be delivered under CREST on the date of their Admission where delivery is requested in uncertificated form, or by first class post not later than 14 days after such date where the delivery is requested in certificated form. No temporary documents of title will be issued.

General Meeting of the Company

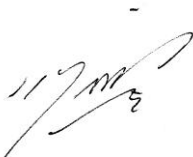
Also issued today is a Notice of a General Meeting of the Company to be held on Friday 26 October 2007 at 5pm Australian Eastern Standard Time (8am British Summer Time) at the offices of the Company, Innovations Building, Corner of Eggleston and Garran Roads, Acton, ACT, Australia at which the following resolution will be proposed as an ordinary resolution:

1. That the shareholders note that the Company proposes to issue fully paid ordinary shares in the capital of the Company at a price per share to be determined by the Board, with the total aggregate issue price not exceeding GBP 1.4 million and otherwise on terms to be determined by the Board; and
2. That in accordance with Rule 2.1(b) of the Constitution, the Shareholders approve such issue notwithstanding that the proposed issue, in conjunction with other share issues in the previous 12 months, may result in the Company issuing new shares equivalent to more than 15% of the issued capital of the Company.

Recommendation

The Directors consider that the Placing is in the best interests of the Company and its Shareholders as a whole. Consequently, the Directors unanimously recommend that you vote in favour of the Resolution proposed at the General Meeting.

Yours sincerely



James Fulton Muir AO
Chairman
Seeing Machines Limited