



**seeingmachines**  
**Seeing Machines Limited**  
**(“Seeing Machines” or the “Company”)**

**ANNUAL GENERAL MEETING**  
**26 NOVEMBER 2009**

## Chairman’s Address

Dear Shareholders,

Welcome to the Seeing Machines 2009 Annual General Meeting. I will briefly review the performance of the past year and then hand over to our CEO Nick Cerneaz who will also provide an update on the year's activities. After this we will be happy to take any questions that you may have.

Earlier this month the Company’s Chairman Fulton Muir stepped down after six years of tremendous service. We also announced at that same time that I had been appointed to the role which I took up on 6 November 2009. I would like to take this opportunity to acknowledge the extraordinary contribution Fulton has made during the early years of our Company’s life.

Fulton’s association with the Company goes right back to its inception in 2000 when he joined the Board as a founding director. In November 2003, Fulton then took on the Chairman’s role and since that time he has presided over a period of solid growth and development. From a funding perspective those developments have included a number of private funding rounds in 2004 and 2005, the Company’s initial public offering on the AIM market of the London Stock Exchange in late 2005 and a follow-up secondary placing in 2007.

The Company’s founding vision - to build a business based on high value products and services providing enriched human-machine interfaces through advanced computer vision technologies - has followed a not atypical path for a high-tech start-up. Bringing together significant resources and skilled experts in these demanding technology areas and harnessing their strengths to pursue a viable commercial business with the interests of all stakeholders as the foremost primary concern has taken considerable energy and foresight and the Company has been the better for the efforts contributed by Fulton in this regard.

With the posting of the Company’s first full year profits in FY2008, and the further development of our product and service offerings in this last financial year, including the maturation of our DSS driver monitoring products and the recent initial launch of the TrueField Analyzer, Fulton has decided that the time was right to stand down and pass on the baton. Again I wish to thank Fulton for his service to the Company and to say, on behalf of the full Board, that we are very much looking forward to continuing to work with Fulton on the Board in the period ahead.

As the new Chairman of the Company I wish to take this opportunity to communicate to all shareholders that my central focus and vision for leading the Company and its management team is to ensure that the interests of shareholders are front and centre, and the goal of generating an investment return for shareholders is the top priority of the Company moving forward. The Company has been through a significant period of technology, product and service development, and has over the last 18 months commenced its transition to a much more commercially driven focus. I strongly support this transition and will be working very hard with the Board and the Company's management to ensure that we realise the full potential and the opportunities that have been created by the period of sustained product and service development up to now.

In terms of specific commercial developments, the FY2009 year and the interim period since the year-end has seen a number of positives including:

- development of our global DSS business in the mining and commercial transport sectors with a number of significant opportunities in the sales pipeline;
- the release in February 2009 of a new version of faceLAB® 5 with a new set of ancillary analysis tools that has opened up new markets faceLAB;
- the release of the first commercial version of faceAPI in August 2008 that has opened up a new channel for monetising our intellectual property assets through a software licensing business model; and finally
- the launch of the first commercial version of the TrueField Analyzer® at last month's American Academy of Ophthalmology meeting in San Francisco.

Consistent with recording increases across prior years the Company has recorded through this 2009 financial year a net increase in total revenue to A\$5.2 million, up 19% from A\$4.4 million in 2008 financial year, sales revenue increased 19% to A\$4.9 million compared to A\$4.1 million in the 2008 financial year and gross profit increased 16% to A\$3.1 million over the A\$2.6 million recorded in the 2008 financial year.

However whilst these achievements have been very welcome developments and have established a platform for pursuing much commercial success ahead, the 2009 financial year has been a very difficult time for the Company overall.

The success of the 2008 financial year (as illustrated for example, by the maiden full year profit recorded by the Company that year) had established a commercial trajectory at the start of the 2009 financial year that was very positive with a significant number of commercial deals on the table and a strong pipeline of business ahead. At the time, the Company anticipated strong growth for the 2009 financial year, especially given the growth in our DSS business in the 2008 financial year and the step up in business anticipated for the DSS that would drive our overall operational growth through the period. That growth was anticipated in both the original equipment manufacturer (OEM)/new vehicle markets as well as in the aftermarket applications for fleet operators in the long haul freight and resource sectors.

Through the initial half of the 2009 financial year that performance was achieved. However as the global economic downturn of recent times gathered pace and cut deeper into global

economic activity, we foresaw the impacts of that external crisis on the Company's commercial projections and elected to take decisive action early to adapt to our operations accordingly.

In February 2009 we announced a significant restructure of the business with an aim to significantly reduce expenditure to bring it in line with our forward revenue expectations. Such a restructure is naturally difficult for any organisation, though with extensive and on-going communication with our loyal and committed team we have managed to retain our key staff and maintain a world class team within the organisation. With some signs of recovery noted in the global economy, especially for instance in the resource sector which is such an important focus for our DSS business moving forward, we are confident of being able to maintain the quality of our team through any future expansion of it in response to our commercial success and growth.

With the benefit of the proactive steps taken by the Company to manage our operations through the difficult trading conditions of this last year, the Company concluded the year by reporting a net loss of A\$5.6 million for the full year. This was made up of an operational loss of A\$0.6 million and a one-off write down of intangible assets of A\$5.04 million. The intangible assets written down are principally those associated with capitalised development expenditure spread across all of our development projects. The Board considered the impacts of the deepening global economic downturn of the last year on our sales revenues, the prevailing uncertainty regarding any recovery from that downturn, coupled with delays through the year in executing a number of our prospective commercial deals and the resources available to the Company to pursue successful long-term commercialisation of our project portfolios and consequently elected to write down the intangible assets associated with these development costs in the manner reported in the full year accounts.

Since taking on the role of Chairman a few weeks ago I have begun an effort to contact a number of shareholders directly to seek their thoughts and to provide a mechanism for shareholders to make an input into shaping the future direction of the Company. Naturally this is an ongoing process, and whilst I have not managed to contact all shareholders at this time, I will continue to contact as many as possible as time permits. In the interim I would of course encourage any shareholder that wishes to make a comment to make contact and express their views directly. One common theme arising from those shareholder dialogs so far is the desire for the Company to share more information about our operations and progress, and to do so on a regular basis. In response to that request we will begin to publish a newsletter about our operations on a quarterly basis and distribute that via our investor news service (please register for that news service on the Investor section of the Company's Web site). The newsletter will also be published on our Company website and other news services as is appropriate. If there are other initiatives that shareholders feel would enhance their engagement with the Company I would encourage them to make contact with us and put the suggestion to us for consideration and action. Thank you in advance for making the effort to contribute in this way.

In summary, the 2009 financial year has been a challenging time for the Company. We have taken some tough decisions early on and put the Company onto a more sustainable trajectory to be able to weather the pressures of the global economic downturn. Those changes have been positive for the business generally. Like any company making a transition from the development of very clever technologies to a viable commercial business generating investment returns for shareholders, Seeing Machines has many challenges

ahead. Whilst those challenges are set against the significant and tangible commercial opportunities in our pipeline, and so position the Company at a delicate juncture in its history, we are fortunate to have such a good team, with good products, services and underlying technologies, extensive plans to execute on those opportunities and importantly an exciting vision for how to grow the business and generate returns to shareholders in our Company.

Finally I would like to add my personal view that I am very enthusiastic about our plans and the prospects for our Company, and I am very grateful to my fellow directors for their faith in electing me to the role of Chairman. There is much work to be done ahead, both this year and beyond to realise our potential and to crystallise 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.

Bill Mobbs  
Chairman  
26 November 2009

## CEO Address

Thank you Bill, and good evening.

Bill has given a good overview of the total business operations and commented on a few key financials already, so I won't go over those again. Rather I'd like to focus on a number of key developments through the 2009 financial year and the strategic opportunities that lie ahead.

As Bill has outlined, whilst the Company posted year-on-year revenue growth of 19%, the 2009 financial year has been perhaps the most challenging year in the Company's history. We began the year looking at strong growth coming particularly from our new DSS business and as the global economic downturn took deeper effect, our typical client companies in this sector, such as large industrial companies running private transportation fleets, began to curtail their capital expenditure programs and in turn this led to a reduction in the revenues anticipated by the Company through this year. Even so, the DSS segment of our business did achieve a 56% increase in revenue to A\$2.2 million, up from the A\$1.4 million recorded during the 2008 financial year.

The impacts of the downturn on the global automotive industry have been well documented elsewhere, however the specific impact of this on Seeing Machines and our DSS business particularly, was to see a large opportunity in the OEM automotive sector put on hold, awaiting a recovery in consumer demand for advanced safety systems. In terms of passenger vehicle sales, the economic pressures impacting ordinary citizens and the growing community interest in the environmental footprint of all human activities has seen a surge in consumer attention and prioritisation of vehicle fuel efficiency and straight-line value for money as two of the more important factors in today's consumer buying decisions. Consequently in this OEM sector the urgency for deploying new advanced driver safety and assistance systems has taken a lower priority for the present time.

These developments in the marketplace forced the Company to take decisive action to curtail our own expenditure in light of lesser anticipated revenues, and to refocus our energies on the sustainable cash generative opportunities and build the business on that basis. Despite the recent pervasive desire of all large industrial companies to curtail their own capital expenditure programs one of the great attributes of the DSS product is its safety aspect. At one level it is a technology that is designed to help drivers stay alive and return home safely to their families at the end of each and every day. Safety is something that we are passionate about - and safety is one area of expenditure that many companies are reluctant to curtail no matter how difficult the operating conditions. This is especially so in the larger industrial and resource companies, and it so happens that these companies operate significant private transportation fleets that are essential to the continuity of their own businesses.

A secondary, though no less important attribute of the DSS is the strong return on investment (ROI) that it offers companies by reducing the costs associated with accidents, near misses and any consequential lost time, lost production and OH&S claims. As you would expect, a strong ROI for our client companies is also something that we are passionate about, as it is the primary factor in establishing the value proposition of our offering. The

strong ROI of the DSS has been clearly demonstrated in a recent pilot study undertaken by an existing client using the DSS in their oil field services business. In September 2009 I gave a presentation at an international conference on driver distraction in Sweden that highlighted this case study and outlined the findings and benefits for the organisation deploying the DSS. I will endeavour to publish some of those details in the first quarterly newsletter that Bill mentioned earlier this evening so as to share with you all the tremendous results of this study and the performance of the DSS.

The strength of interest in advanced driver safety systems coming from the resource and industrial private fleet operator markets and our own early successes in deploying the DSS into this arena over the prior year, has encouraged the Company to focus extensive marketing and business development efforts in this sector through the 2009 financial year and we have generated sales mostly in what could be characterised as large scale pilot deployments within both resource and industrial operations. These pilot deployments are the forerunner to wider rollouts of the DSS within an organisation following the successful completion of the pilot, and as such the 2009 financial year has been a period of preparing the foundation for the future. Geographically we have supplied DSS systems into 15 countries across five continents with mining operations accounting for most of that spread. Consistent with our strategic plans these market development efforts have generated a strong pipeline of active opportunities for the year ahead, and consequently this DSS aftermarket sector continues to be a major focus for the Company moving forward. I can confidently assure all shareholders that our team is focussed on converting that pipeline of opportunity into actual commercial success, and naturally I hope to be able to announce the execution of a number of deals in this area in the period ahead.

A second major development in recent times has been the launch of the TrueField Analyzer (TFA) at last month's American Academy of Ophthalmology meeting in the United States. As all shareholders would be aware, the TFA has been in development for a number of years and has been a collaborative effort between the Company and colleagues from the Australian National University. The device is being made available on limited release in the United States at present as we engage independent luminaries in the ophthalmic vision testing sector to provide independent evaluation and opinion on the device. We are also balancing the expansion of our production capabilities in line with sales expectations for the product, though we expect the real demand for product to build after the independent luminary opinion of the device is available.

In terms of marketing the TFA we have exhibited the device at the major trade meetings to market directly to the ophthalmic community, and also maintained an active dialog with a number of prospective medical device channel partners. We remain true to our strategic vision of seeking to generate significant investor returns from this aspect of our business by engaging with a partner or partners to deliver the device to its markets. Our marketing efforts to promote the device have had this focus, since it is not our objective nor our intention to build a direct medical device business within Seeing Machines that engages in direct sales and delivery of the TFA to end users. The launch of the TFA last month has taken the device onto the next stage in its development and we look forward with excitement to progressing the program of luminary evaluation and ultimately hope to realise a significant return on this project's investment.

The new faceAPI product represents the third area of major development through the 2009 financial year. Recognising some time ago that Seeing Machines would always be unable to pursue the tremendous range of business opportunities that our world class head and eye tracking technology could support, we set out to release a software product that would enable other developers and system integrators to embed our capabilities within their product development efforts. It is a software licensing and royalty based business model, and to seed the market we have released the product under three separate licensing tiers:

- a non-commercial (free) version available for on-line download from our website (see [www.faceAPI.com](http://www.faceAPI.com) if you are interested in obtaining your own copy),
- a development license, that allows system developers to build their own products incorporating our technology, and finally
- a production license, that grants product developers the necessary rights to distribute the faceAPI as part of their new product.

In the first year of its release through this 2009 financial year the faceAPI exceeded our budgeted revenue expectations, even in spite of the pressures felt elsewhere from the global downturn. In part this is due to the resilience of a number of the target markets and applications for the faceAPI. Perhaps the best example of that is the growing computer gaming marketplace where independent research often illustrates the remarkable growth and prospects for that industry.

We have made many sales of faceAPI developer licenses to computer game developers as our product gives the game developer a rich toolkit to provide an enhanced and intuitive interface between a person (the person playing a computer game for instance) and the computer game software itself. As a simple illustration of the concept imagine I were playing a game with my avatar (my character in the game) exploring some virtual world type environment, and then if I were to smile my character in the game would automatically smile, mimicking my actions in real-time. Smiling, frowning, looking to the left, the right, around the corner, etc. In this way the faceAPI makes it possible for the person playing the game to enjoy a greatly enhanced entertainment experience. In addition to this computer gaming illustration just mentioned, there are many other users of the faceAPI developing applications across a range of fields including entertainment, marketing, sports, consumer and industrial goods to list but a few.

As expected, most faceAPI sales to date have been of the development license tier. As developers finalise their products and look to bring them to their markets we are hopeful of being able to convert a number of those opportunities into new production licenses for the faceAPI, and will of course announce those to the market in due course.

Through 2009 we have also continued the development of the Company's original product, faceLAB and achieved good sales throughout the year despite this market being adversely impacted by the global financial crisis.

The progress made by Seeing Machines through 2009, particularly through the difficult time of undertaking a corporate restructure in a company the size of ours, would not have been possible without the tremendous efforts contributed by all of our staff. There have been many selfless contributions made by our team over the course of the year to support the objectives of the business and indeed one another. I would like to take this opportunity to thank all of my staff for their continuing dedication and efforts, all of which has surely made my job an easier one.

I'd also like to reiterate Bill's comments of appreciation for Fulton Muir, who recently stood down from the role of Chairman. I have greatly valued Fulton's advice and the mentoring offered to me in my role as CEO. I wish to personally thank him for his tireless assistance and guidance, and look forward to continuing to work with him on the Board as we take the Company forward.

Finally, I would like to thank shareholders for their continued support and encouragement over the past 12 months. I will conclude by simply noting that whilst 2009 has been a difficult year and that the Company is finely poised at present, there is a good pipeline of opportunity ahead, and with terrific product and service offerings that address real needs in their respective marketplaces, the Company is pursuing the creation of shareholder value through this year and beyond, and I personally look forward to realising that potential for all shareholders.

With that, I'll hand back to Bill.

Thank you.

Nick Cerneaz,  
Chief Executive Officer  
26 November 2009