

22 March 2010



REVIEWED INTERIM RESULTS FOR THE SIX MONTHS TO 31 DECEMBER 2009

Seeing Machines Limited ("the Company"), a leading developer of advanced vision based industrial systems, announces its reviewed, unaudited interim results for the six months to 31 December 2009.

Financial Results

- Strong expenditure controls resulting in cash reserves being maintained throughout the period.
- Revenue growth of 25% compared to the previous 6 months to 30 June 2009.
- Net loss for the period A\$402,568 (2008: Profit A\$358,099). Note that the 2009 figure includes A\$600,164 of expensed development costs. In 2008, A\$907,705 of development costs were capitalised, however if these had been expensed the Company would have reported a net loss of A\$549,606 for the six months to 31 December 2008.
- Other income of A\$79,646 down from A\$402,011 primarily as a result of higher foreign exchange losses.

Operational Highlights since 31 December 2009

- Continued emergence of the resources sector as a strong market for the DSS Driver Monitoring Equipment ("DSS") product suite.
- Signed Master Purchasing Agreement with Freeport McMoRan Copper and Gold Inc. ("Freeport") establishing the master terms and conditions for the supply of the DSS to Freeport's group of operating companies (as announced on AIM on 12 February 2010).
- Contract gain to supply DSS to subsidiary of Freeport (as announced on AIM on 15 March 2010).
- Contract gain to supply DSS to subsidiaries of BHP Billiton (as announced on AIM on 17 March 2010).

Despite the six months to 31 December 2009 being a difficult trading period the Company did achieve revenue growth over the prior six months and managed to sustain its cash levels, reflecting the benefits of decisive restructuring steps taken by management in early 2009. Notwithstanding this good progress the full year results to 30 June 2010 are not expected to achieve current market expectations due to delayed revenue growth and changes in accounting treatment to expense all development costs as outlined in the Director's report.

Commenting on the Interim Results, Seeing Machines CEO, Nick Cerneaz said:

"Although we reported a loss for the half year the recently announced DSS deals in the mining sector are an illustration of the increased traction our products are now generating in the market, and in-line with the Board's strategy to significantly develop our DSS Mining business. We believe this new aspect of our business will generate increased shareholder value going forward."

Extracts from the interim financial statements are set out below and a full copy is available from the Company website www.seeingmachines.com and is also available by request to the Company's Registered Office at Level 1, 11 Lonsdale St Braddon ACT 2612, Australia.

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2009.

Directors

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

William Mobbs	Non Executive Chairman
Nicholas Cerneaz	Executive Director
David Gaul	Non Executive Director
James Fulton Muir, AO	Non Executive Director
Robert Sale	Non Executive Director
Trent Victor	Non Executive Director
Alexander Zelinsky	Non Executive Director

Review and results of Operations

Review of the 1st half of the 2010 financial year

Following the slowdown that occurred through the 2009 financial year as a result of the recent global financial downturn, we have recently seen a recovery in the Company's revenue streams. Revenue growth of 25% was recorded when compared to the 6 month period to 30 June 2009.

The Company made a loss of A\$402,568 for the six months to 31 December 2009 compared to a profit of A\$358,099 for the equivalent period to 31 December 2008. In line with the revision of asset carrying values reported in the FY2009 full year accounts released on 23 September 2009 and the operating

conditions prevailing during the six months to 31 December 2009, the Company has expensed all development costs through this current period. This significantly impacts any comparison between the two periods. In the equivalent period to 31 December 2008 (with resulting profit of A\$358,099) development costs of A\$907,705 were capitalised. By contrast in the current period to 31 December 2009 all development costs totalling A\$600,164 were expensed. If these development costs had been treated in the same way in both periods then the results would have been as follows:

Basis for comparison	31 December 2009	31 December 2008
Profit/(Loss) as reported	(A\$402,568)	A\$358,099
Profit/(Loss) with development costs expensed in both periods	(A\$402,568)	(A\$549,606)

Operational highlights for the half-year include:

- the emergence of the resources sector as a strong market for the DSS product suite and a number of successful installations in this sector;
- the maturation of the DSS product suite;
- the successful partnership with EyeTracking Inc enhancing the faceLAB business with their EyeWorks analysis suite; and
- the continuing upward trend in sales of the faceAPI Developer licences and a number of Production licence sales.

Financial Results

Revenue from product sales for the six months to 31 December 2009 was A\$2,321,616 (2008: A\$2,835,607). While revenues for the period were lower compared to 2008, (which included a one-off license fee payment of US\$1,000,000), these represented growth of 25% compared to revenues for the six months to 30 June 2009. Other income for the period was A\$79,646 compared to A\$402,011 in 2008, primarily due to adverse foreign exchange fluctuations.

Net expenditure for the half-year was A\$2,803,830, down A\$75,106 from the A\$2,878,936 net expenditure for the equivalent six month period to 31 December 2008. **Note however, net expenditure for the current period includes all development expenses, whilst the prior equivalent six month period to 31 December 2008 does not include A\$907,705 of development costs which were capitalised.** The strong containment of costs through the 2009 calendar year that underpins this improved result is a reflection of the restructure of the business undertaken in early 2009 in light of the global financial downturn and the resultant slowing of revenue growth anticipated at that time.

The Net Loss for the six months to 31 December 2009 was A\$402,568 compared to a Net Profit of A\$358,099 for the equivalent six month period to 31 December 2008. **Note again that all development costs have been expensed during the current period, whilst they were capitalized during the prior period, a change which significantly impacts direct comparisons between the periods.**

At 31 December 2009 cash on hand was A\$620,228 compared to A\$679,166 as at 30 June 2009.

Operational Highlights

DSS

The 6 month period to 31 December 2009 saw significant activity in the DSS business, particularly in the mining and resources sectors. A number of new DSS clients were established at multiple new mining operations during the period. These new installations have typically been the initial pilot phase of wider deployments as anticipated by the respective client. A portion of the DSS activity during the period has facilitated the integration of the DSS product suite into the client's global operations, and we anticipate a number of those initial pilots will mature into substantial commercial deployments during the next 6 months and beyond.

Revenue for the DSS business for the half-year to 31 December 2009 was A\$346,259. The Directors anticipate strong revenue growth in the current half due to the large number of opportunities available to be converted to sales including the recently announced deals with Freeport McMoRan Copper and Gold Inc (announced 12 February 2010) and BHP Billiton (announced 17 March 2010).

The Company is well advanced in negotiations for a number of other DSS deals, and is also progressing distributor arrangements in a number of countries to service the resources sector including South Africa, Botswana, Brazil and Chile. The results of these negotiations will be announced to investors in due course.

The DSS product itself has developed substantially during the period, and as evidenced by the recently announced commercial deals we now offer a product that is proven to solve real commercial issues around driver fatigue and distraction at an affordable price point.

During the next 6 months the Company intends to focus on:

- converting a number of the existing DSS opportunities into sales;
- successful deployments for existing customers;
- growing the pipeline of opportunities through the appointment of distributors to cover Africa and South America; and
- increasing the direct sales force to target the resources sector in Australasia and North America .

TrueField Analyzer

TrueField Analyzer (TFA) was debuted at the American Academy of Ophthalmology (AAO) Annual Meeting in San Francisco in October 2009. The next phase of the commercialization of the TFA is through a program of independent luminary evaluations of the device, prior to the full scale commercial introduction of the device. In the final preparations for that program a potential shortcoming in the TFA's stimulus delivery mechanism has been recently identified. The luminary evaluation program is currently on hold, and will remain so, until this matter is fully identified and resolved. The matter is being addressed by collaborative work between the Company and our TFA colleagues at the Australian National University's Research School of Biology, within which this ongoing work is supported through a number of academic grants.

In anticipation of the release of the TFA, the Company has engaged in extensive regional market development including the evaluation of and negotiation with prospective distribution and channel partners, a number of whom have followed the development of the TFA since inception. The intention is to enter into agreement with one or more of these partners who have the capacity to drive the introduction of the TFA across the global ophthalmic marketplace.

faceAPI

faceAPI developer licence sales have continued to gather momentum, with growing sales of developer licences and a number of production licence sales during the period. faceAPI revenue for the six months to 31 December 2009 was A\$195,033, representing an increase in excess of 90% from 2008.

The Company's strategy for faceAPI continues to focus on deriving revenues from the product through sales of the developer licence, and through sales of production licences which are required for applications using faceAPI that need to be distributed to end users.

The Company has developed an extensive opportunity pipeline for production licences through the period, and will continue to develop the product to address the needs of this growing market. The Company is in discussions with a number of "household name" companies that are interested in licensing the faceAPI to use in their own products.

faceLAB

faceLAB achieved revenues of A\$1,713,634 for the six months to 31 December 2009, compared with A\$1,121,633 in 2008.

The period has seen a number of large multi system sales and a resurgence in sales from Asia, which had slowed in recent years. In January 2010 the Company was advised by the University of Nottingham that it had won an open tender for 8 eye tracking systems displacing one of our key competitors whose product was already in use by the customer.

We continued to build on our exclusive partnership with Eye Tracking Inc., whose EyeWorks product, a highly optimized and advanced faceLAB data analysis environment, is integrated with and offered alongside our faceLAB product suite. It provides our clients with an enhanced user experience and opens the faceLAB suite to exciting new market opportunities, particularly in the expanding on-screen marketing usability industries.

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William Mobbs
Chairman

Nick Cerneaz
Chief Executive Officer and Director

Statement of Financial Position

As at 31 December 2009	Note	Consolidated	
		31 December 2009 A\$	30 June 2009 A\$
ASSETS			
Current assets			
Cash and cash equivalents	5	620,228	679,166
Trade and other receivables		495,869	748,550
Inventories		198,587	259,728
Other current assets		45,040	44,972
Total Current Assets		1,359,724	1,732,416
Non-current Assets			
Property, plant and equipment		255,508	302,549
Intangible assets		439,410	417,361
Capitalised development costs		601	-
Total Non-current assets		695,519	719,910
TOTAL ASSETS		2,055,243	2,452,326
LIABILITIES			
Current Liabilities			
Trade and other payables		530,156	606,370
Provisions		221,930	232,571
Total Current liabilities		752,086	838,941
Non-current liabilities			
Provisions		72,492	73,602
Total Non-current liabilities		72,492	73,602
TOTAL LIABILITIES		824,578	912,543
NET ASSETS		1,230,665	1,539,783
EQUITY			
Contributed equity		9,646,776	9,646,776
Accumulated losses		(9,290,161)	(8,887,593)
Reserves		874,050	780,600
TOTAL EQUITY		1,230,665	1,539,783

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

For the half-year ended 31 December 2009	Note	Consolidated 31 December 2009 A\$	Consolidated 31 December 2008 A\$
Continuing operations			
Sale of goods and licence fees		2,278,550	2,815,965
Rendering of services		43,066	19,642
Revenue		2,321,616	2,835,607
Cost of Sales		(526,149)	(468,880)
Gross Profit		1,795,467	2,366,727
Other income	4	79,646	402,011
Research and Development Expenses		(682,042)	(475,195)
Distribution Expenses		(296,923)	-
Marketing expenses		(493,425)	(854,899)
Occupancy expenses		(262,496)	(218,391)
Administration expenses		(376,671)	(852,392)
Other expenses	4	(166,124)	(9,179)
(Loss)/Profit from continuing operations before income tax		(402,568)	358,682
Income tax expense		-	(583)
Loss from continuing operations after income tax		(402,568)	358,099
Net (loss)/profit for the period		(402,568)	358,099
Other comprehensive income			
Cash flow hedges:			
Transferred to statement of comprehensive income		-	(12,297)
Foreign Currency Translation		50,732	(21,075)
Other comprehensive income		50,732	(33,372)
Total Comprehensive Income Net of Tax		(351,836)	324,727
(Loss)/Profit per share (cents per share)			
· basic for loss for the half year attributable to ordinary equity holders of the company		(0.129)	0.115
· diluted for loss for the half year attributed to ordinary equity holders of the company		(0.129)	0.115

The above statement of comprehensive income statement should be read in conjunction with the accompanying notes.

Statement of changes in equity

CONSOLIDATED

FOR THE PERIOD ENDED 31 DEC 2009	Note	Contributed Equity A\$	Accumulated Losses A\$	Foreign Currency Translation A\$	Employee Equity Benefits Reserve A\$	Cash flow Hedge Reserve	Total Equity A\$
At 1 July 2008		9,646,776	(3,278,481)	-	709,845	12,297	7,090,437
Profit for the half year		-	358,099	-	-	-	358,099
Other comprehensive income		-	-	(21,075)	-	(12,297)	(33,372)
Total comprehensive income		-	358,099	(21,075)	-	(12,297)	324,727
Transaction with owner in their capacity as owner							
Share based payment		-	-	-	18,337	-	18,337
At 31 December 2008		9,646,776	(2,920,382)	(21,075)	728,182	-	7,433,501
At 1 July 2009		9,646,776	(8,887,593)	42,268	738,332	-	1,539,783
Loss for the half year		-	(402,568)	-	-	-	(402,568)
Other comprehensive income		-	-	50,732	-	-	50,732
Total comprehensive income		-	(402,568)	50,732	-	-	(351,836)
Transaction with owner in their capacity as owner							
Share based payment		-	-	-	42,718	-	42,718
At 31 December 2009		9,646,776	(9,290,161)	93,000	781,050	-	1,230,665

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cashflows

	Consolidated	Consolidated
For the half year ended 31 December 2009	31 December 2009	31 December 2008
Note		
Cash flows from operating activities		
Receipts from customers	2,459,392	2,854,633
Grants received	50,000	-
Payment to suppliers and employees	(2,568,285)	(2,559,400)
Interest received	7,816	80,769
Income Tax	-	(583)
Net cash flows (used in) / from operating activities	(51,077)	375,419
Cash flows from investing activities		
Proceeds from sale of plant and equipment	-	454
Purchase of plant and equipment	(2,365)	(173,420)
Payments for intangible assets	(56,228)	(69,902)
Payments for research and development costs	-	(1,225,842)
Net cash flows investing activities	(58,593)	(1,468,710)
Net decrease in cash and cash equivalents	(109,670)	(1,093,291)
Net foreign exchange differences	50,732	(21,075)
Cash and cash equivalents at beginning of period	679,166	2,771,247
Cash and cash equivalents at end of period	620,228	1,656,881

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The above cash flow statement should be read in conjunction with the accompanying notes.