



Seeing Machines Limited - Half-year Report
ABN 34 093 877 331

31 March 2011

SEEING MACHINES ("THE COMPANY")

REVIEWED INTERIM RESULTS FOR THE SIX MONTHS TO 31 DECEMBER 2010

Seeing Machines Limited (AIM:SEE), a leading developer of advanced vision based industrial systems, announces its reviewed, unaudited interim results for the six months to 31 December 2010.

Financial highlights

- Record first half year revenue of A\$4,019,515 up by 73% on the 6 period to 31 December 2009;
- DSS achieved revenue of A\$2,601,968 up by 650% on the corresponding period to 31 December 2009, which is greater than its highest ever full year revenue of A\$2,224,810 in 2009; and
- Net loss for the period A\$748,934 for the period compared to the loss of A\$402,568 for the period to 31 December 2009; and
- Cash at 31 December 2010 of A\$2,478,641 compared to A\$555,878 at 31 December 2009.

Operational highlights since 31 December 2010

- New mining contract for global gold and copper resources company announced 21 March 2011;
- New channel partners for DSS in South America already undertaking projects with global mining majors;
- faceAPI Production License with SuperD for glasses-free 3D for consumer electronics products;
- Opened additional sales offices and expanded marketing resources to achieve further growth in the DSS business;
- Increased the number of field service engineers and technical support staff to service growing mining customer base; and
- Continued the R&D effort to ruggedize the product and to reduce support costs.

Outlook

- There is uncertainty about the full year revenue outlook for FY2011 due to timing issues along with the continuing strong performance of the Australian dollar.

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

"The first half of FY2011 has seen excellent revenue growth in the DSS business with record revenue for the half year achieved. Profitability was adversely impacted by the strong Australian dollar which accounted for over 50% of the loss and significant expenditure on R&D and additional sales and support staff to grow the DSS business all of which is expensed. The Company has a very healthy and growing pipeline of opportunities which are being progressed. Our strong focus is to continue to grow and develop this pipeline and to convert opportunities to revenue. With faceAPI now poised to contribute more strongly to revenue from 2012 on, we look forward with confidence to delivering increased value for our shareholders."



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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 EXTRACT

Review of the 1st half of the 2011 financial year

The company achieved its highest ever half year revenue of A\$4,019,515 compared to A\$2,321,616 for the 6 month period to 31 December 2009 an increase of 73%. This was largely due to the DSS™ business which achieved revenue of A\$2,601,968 for the half year, beating its highest ever full year revenue of A\$2,224,810 in 2009 by 17%, and an increase of over 650% over the 6 months to 31 December 2009.

The Company made a loss of A\$748,934 for the six months to 31 December 2010 compared to a loss of A\$402,568 for the period to 31 December 2009. A\$391,438 of this loss, in excess of 50% of the total loss, was due to foreign exchange losses. In line with the growth in the DSS business and following the capital raising in April 2010, the Company has pursued its plans and invested in:

- Field support and service staff to support the growing number of DSS installations internationally;
- Additional sales and marketing resources to achieve further growth in the DSS business including the opening of Brisbane, Australia and Tucson, USA offices;
- Further research and development to continue efforts to ruggedize the product, thereby reducing support costs and development aimed at reducing the cost of goods to enable the company to target markets in addition to mining, which has delivered the growth to date.

Operational highlights for the half-year include:

- Strong growth in DSS™ revenue and the subsequent increase in the installed base across a number of countries;
- Further development of the already strong DSS pipeline providing a solid basis for revenue in this half and future years;
- Establishment of offices in Queensland and Tucson;
- Finalisation of distributor arrangements for the African continent with the appointment of Booyco Electronics and for South America with GTD Chile Ingenieria de Sistemas S.A. (GTD) appointed for Chile, Peru and Argentina and Distritec Comercio de Equipamentos Ltda. appointed for Brazil;
- Production License for faceAPI signed with Shenzhen Super Perfect Optics Limited (SuperD) for glass-free 3D solution for consumer electronics products which has the potential to provide significant revenue in future years; and
- The continued contribution to the company's revenue made by the faceLAB product and the commencement of the development work for faceLAB X the next generation of our foundation product.

Financial Results

Revenue from product sales for the six months to 31 December 2010 was A\$4,019,515 (2009: A\$2,321,616). This represents growth of 73% on the corresponding period to 31 December 2009. Other income for the period was A\$70,392 compared to A\$79,646 for the period to 31 December 2009. The high value of the Australian dollar against the US dollar, GB pound and the Euro has had a negative impact over the period particularly on revenue. The foreign exchange loss for the period to 31 December 2010 was A\$391,438 accounting for over half of the year to date loss. Cost of sales was A\$1,403,134 up from A\$526,149 for the period to 31 December 2009 in line with the increase in revenue and the change in product mix. Net expenditure for the half-year was A\$3,436,247 up from A\$2,277,681 for the period to 31 December 2009. The period to 31 December 2009 was one of significant expenditure restraint and the period to 31 December 2010 has been a period of investment and following through on our plans to establish the DSS business in the resources sector and to put in place the necessary marketing, sales and support infrastructure to support our clients and grow the business in the resources sector.

The Net Loss for the six months to 31 December 2010 was A\$748,934 compared to a Net Loss of A\$402,568 for the equivalent six month period to 31 December 2009.

Cash at 31 December 2010 was A\$2,478,641 compared to A\$555,878 at 31 December 2009.

Despite the strong pipeline of DSS business opportunities the Directors' believe that there is some uncertainty surrounding the Company's full year revenue targets due to timing issues and revenue recognition policies.

Operational Highlights

DSS™



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The 6 month period to 31 December 2010 was one of strong sales growth for the DSS business and the development of a significant pipeline of opportunities in the resources sector which will deliver revenue in future periods. Revenue for the DSS business for the half-year to 31 December 2010 was \$2,601,968 up by over 650% on the revenue for the period to 31 December 2009.

We completed the rollout of DSS units to the haul truck fleets at a number of Freeport-McMoRan sites in North America and also to the haul truck fleet at a BHP Billiton energy coal site in New Mexico. We have other projects underway in South Africa, Botswana, Chile, Indonesia, Peru, Brazil, Canada, Australia and the United States and these will progress through the remainder of the year and into next year.

The Company appointed South African company Booyco Electronics as channel partner for the African continent in September 2010 and they already have multiple projects underway with key resource sector companies.

The Company has this month appointed:

- Chilean company GTD Chile Ingenieria de Sistemas S.A. (GTD) as channel partner for Chile, Peru and Argentina and they already have a number of projects underway in Chile with global mining majors;
- Brazilian company Distritec Comercio de Equipamentos Ltda. as channel partner for Brazil.

The Company continues to develop and enhance the DSS Product Suite and has made a number of releases to customers during the period. We also have a major effort underway to further ruggedize the DSS hardware which will reduce our support costs. The Company intends to continue our work towards a fully embedded version targeted at the commercial transport sector.

In order to be able to reach a bigger market and to better support our customers we have established offices in:

- Tucson Arizona; and
- Brisbane, Queensland.

We will continue to progress our DSS plans across sales, marketing product development and customer support to build on the growth established in the first half of financial year 2011.

faceAPI™

faceAPI achieved revenue of A\$220,358 for the 6 months to 31 December 2010 (2009: A\$195,033) an increase of 12% over 2009.

In July 2010 we announced 2 production license agreements for faceAPI with:

- Pillar Vision Inc for its basketball training product Noah Instant; and
- Di-O-Matic Inc for its computer graphics animation product *Maskarad*.

The Company has this month signed Production license deals with:

- Korean company Hanulneotech Co., Ltd for an Augmented Reality application; and
- Chinese company Shenzhen Super Perfect Optics Limited (SuperD) for the next generation of glass-free 3D displays for laptop computers, computer monitors and all-in-one-PC products.

The SuperD agreement propels the faceAPI business into consumer-scale license volumes, and underlines the capabilities of the technology to leverage licensing revenue from the continually growing and diverse customer-base.

The Directors' believe the Company's strategy for faceAPI which is to focus on growing revenues from the product through the sale of production licences is the right strategy and are confident of strong revenue growth in future years.

faceLAB®

faceLAB achieved revenues of A\$1,197,189 for the six months to 31 December 2010 compared with A\$1,713,634 in 2009. Although revenue was down on the corresponding period in 2009, revenue is up on the six months to 30 June 2010.

The partnership with EyeTracking Inc (ETI) with their EyeWorks product continues. We have commenced the development effort to create the next generation of the faceLAB product, faceLAB X which will offer users many new benefits over existing



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eye and head tracking solutions. faceLAB continues to form an important part of our portfolio of products offering a research level platform with extensive features and configurability extending well beyond the application specific nature of our other products.

TrueField Analyzer®

The planned program of luminary evaluations remains on hold due to the ongoing research and development being pursued by 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.

The Company's focus continues to be to support the work of our colleagues to resolve the remaining issues prior to further progressing the commercialisation of the TFA. This will continue to be the focus during the remainder of 2011.



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Statement of Financial Position

AS AT 31 DECEMBER 2010	Note	Consolidated	
		31 DEC 2010 A\$	30 JUN 2010 A\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	2,478,641	3,840,604
Trade and other receivables	7	1,781,909	1,380,785
Inventories		488,461	329,062
Other current assets		47,819	30,839
TOTAL CURRENT ASSETS		4,796,830	5,581,290
NON-CURRENT ASSETS			
Property, plant and equipment		268,464	227,035
Intangible assets		474,371	477,652
TOTAL NON-CURRENT ASSETS		742,835	704,687
TOTAL ASSETS		5,539,665	6,285,977
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,040,151	1,033,059
Provisions		347,472	317,175
TOTAL CURRENT LIABILITIES		1,387,623	1,350,234
NON-CURRENT LIABILITIES			
Provisions Non-Current		122,378	101,554
TOTAL NON-CURRENT LIABILITIES		122,378	101,554
TOTAL LIABILITIES		1,510,001	1,451,788
NET ASSETS		4,029,664	4,834,189
EQUITY			
Contributed equity		14,664,487	14,664,487
Accumulated losses		(11,406,366)	(10,657,432)
Other reserves		771,543	827,134
TOTAL EQUITY		4,029,664	4,834,189

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



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Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 December 2010	Note	Consolidated	
		2010 A\$	2009 A\$
Continuing operations			
Sale of goods and licence fees		3,962,495	2,278,550
Rendering of services		57,020	43,066
Revenue		4,019,515	2,321,616
Cost of Sales		(1,403,134)	(526,149)
Gross Profit		2,616,381	1,795,467
Other income	4	70,932	79,646
Research and Development Expenses		(1,243,887)	(682,042)
Distribution Expenses		(166,954)	(296,923)
Marketing expenses		(719,497)	(493,425)
Occupancy and facilities expenses		(332,880)	(262,496)
Administration expenses		(581,591)	(376,671)
Other expenses	5	(391,438)	(166,124)
Loss before income tax		(748,934)	(402,568)
Income tax expense		-	-
Loss after income tax		(748,934)	(402,568)
Net Loss for the period		(748,934)	(402,568)
Other comprehensive income			
Foreign currency translation		(1,009)	50,732
Other comprehensive income net of tax		(1,009)	50,732
Total comprehensive income		(749,943)	(351,836)
Earnings per share for profit attributable to the ordinary equity holders of the company:			
· Basic earnings per share		(0.185)	(0.129)
· Diluted earnings per share		(0.185)	(0.129)

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

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 December 2010		Contributed Equity	Accumulated Losses	Foreign Currency Translation	Employee Equity Benefits Reserve	Total Equity
		Note	A\$	A\$	A\$	A\$
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
At 1 July 2010		14,664,487	(10,657,432)	46,905	780,229	4,834,189
Loss for the half-year		-	(748,934)	-	-	(748,934)
Other comprehensive income		-	-	(1,009)	-	(1,009)
Total comprehensive income		-	(748,934)	(1,009)	-	(749,943)
Transaction with owner in their capacity as owner						
Share based payment		-	-	-	(54,582)	(54,582)
At 31 December 2010		14,664,487	(11,406,366)	45,896	725,647	4,029,664

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

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 December 2010	Note	Consolidated	
		2010 A\$	2009 A\$
Cash flows from operating activities			
Receipts from customers		3,534,350	2,459,392
Grants received		-	50,000
Payment to suppliers and employees		(4,833,816)	(2,521,542)
Interest received		41,569	7,816
Net cash flows used in operating activities		(1,257,897)	(4,334)
Cash flows from investing activities			
Purchase of plant and equipment		(86,327)	(2,365)
Payments for intangible assets		(17,028)	(56,228)
Net cash flows used in investing activities		(103,355)	(58,593)
Net decrease in cash and cash equivalents		(1,361,252)	(62,927)
Net foreign exchange differences		(711)	3,989
Cash and cash equivalents at beginning of period		3,840,604	614,816
Cash and cash equivalents at end of period		2,478,641	555,878

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