seeingmachines

ABN 34 093 877 331

Interim Financial Report for the six-month period ended 31 December 2022

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Directors' Report

The Directors submit their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Group') consisting of Seeing Machines Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the six-month period ended 31 December 2022 ("half-year"). The Group's functional and presentation currency is US dollars (US$).

Directors

The names of the Directors of Seeing Machines Limited in office during the half-year and until the date of this report are listed below. All Directors were in office for the entire period covered by the report unless otherwise stated.

Kate Hill	Non-Executive Director and Chair
Paul McGlone	Executive Director and Chief Executive Officer (CEO)
Yong Kang (YK) Ng	Non-Executive Director
Gerhard Vorster	Non-Executive Director
John Murray	Non-Executive Director
Michael Brown	Non-Executive Director

Review of Operations

Overview

The Company achieved a record result for the six months to 31 December 2022 as well as securing significant additional investment through a Convertible Note. Revenue increased by 54% and cash balances increased to US$52.2m with a remaining US$17.5m of funding available.

As a result of the increasing proportion of revenue and funding being derived in US dollars, the Company has changed the functional currency of the parent entity of the group, Seeing Machines Limited, to US dollars.

Financial Results

The Company's total sales revenue for H1 FY2023 (excluding foreign exchange gains and finance income) increased by 54% to US$24.4m (H1 FY2022: US$15.8m).

Business unit	**31 Dec 2022**	**31 Dec 2021**	**Variance**
	US$'000	**US$'000**	**%**
OEM	14,037	3,832	268%
Aftermarket	10,346	11,982	(14%)
Sales Revenue	**24,383**	**15,814**	**54%**

OEM revenue more than doubled compared to the previous corresponding period in line with the early stage ramp up of vehicle production for a number of Automotive OEM programs. Royalty revenue, derived from installation of Seeing Machines' Driver Monitoring System (DMS) technology, increased by 102% to US$3.1m compared to the same period last year (H1 FY2022: US$1.5m). In addition to production royalties, revenue of US$5.4m from license fees was earned from the exclusive collaboration agreement with Magna (2021: nil). The growth in royalty revenues in the OEM business has resulted in the revenue mix moving to a greater proportion of higher margin revenue streams, which is expected to continue as Automotive programs become the dominant source of revenue for this business unit.

Limited hardware supply in the half-year restricted potential revenue growth in the Aftermarket business. Guardian hardware sales generally constitute a majority of Aftermarket revenue, however, they were limited to 1,536 units compared to 4,285 units for the prior corresponding period resulting in an overall revenue decline in the Aftermarket business for the half-year. Supply of the reengineered Guardian 2 units commenced towards the end of the period and will enable pent-up demand to be met for the remainder of the financial year. Connected Guardian units increased to 46,018 units in December 2022 representing 15% growth from 39,892 in June 2022 and 25% annual growth from December 2021. As a result of this growth monitoring services revenue increased by 7% to US$5.2m for the half-year, compared to US$4.9m for the same period last year, continuing the accumulation of recurring revenue from the Guardian connections.

The Company continued to invest in its core technology development to further strengthen its competitive moat, rapidly expand features and leverage systems approach across global OEM and Aftermarket industries. As a result, Seeing Machines incurred total research and development expenses of US$17.2m during the six-months ended 31 December 2022 (2021: US$13.2m), of which US$11.1m (2021: US$8.6m) was capitalised.

Directors' Report (continued)

Customer support and operations cost categories increased to US$3.3m (2021: US$3.2m) and US$5.4m (2021: US$4.2m) respectively in line with strengthening of business pursuit and emerging markets activities to support increased pipeline and channel market expansion.

On 4 October 2022, Seeing Machines received funding of US$47.5m from Magna International in the form of a non-transferable 4-year convertible note maturing in October 2026 (the "Convertible Note"). Details of the Convertible Note can be found in Note 12 to the Financial Statements. The proceeds of the Convertible Note are being used to meet technology demands, for general working capital and corporate purposes, as well as to strengthen the Company's balance sheet so that it is fully funded to deliver on its current business plan.

Cash and cash equivalents at 31 December 2022 totalled US$52.2m (2022: US$40.4m) with an additional US$17.5m being available as part of an undrawn Convertible Note facility.

We highlight this report is unaudited. There is no requirement for the interim financial statements to be subject to review by the external auditor.

Position Holders During the Period

Chief Executive Officer

The Group's Chief Executive Officer as at the date of this report is Paul McGlone.

Company Secretary

As at the date of this report the Company Secretary is Susan Dalliston.

Employee Numbers

At 31 December 2022 the Group had 329 full-time employees (266 employees at 30 June 2022).

Principal Activities

The Group's principal activities during the half-year were:

- Developing, selling and licensing products, services and technology to detect and manage driver fatigue and distraction, including continued market development to secure sustainable channels to market for the product;
- Entering commercial agreements with partners for the development, manufacturing and sale of products into key target markets; and
- Research and development of the Company's core vision processing technologies to support the development and refinement of the Company's products.

Changes in State of Affairs

During the half-year there was no significant change in the state of affairs of the Group other than those referred to elsewhere in this report and in the financial statements or notes thereto.

Environmental Regulations

The Group holds no licenses issued by relevant Environmental Protection Authorities and there have been no known breaches of any environmental regulations.

Directors and Officers Insurance

During the half-year, the Company paid a premium in respect of a contract insuring the Directors of Seeing Machines Limited (and its wholly owned subsidiaries), the Company Secretary, and all executive officers of those companies against a liability incurred as such a Director, secretary, or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Directors' Report (continued)

Non-Audit Services

PwC have not rendered any non-audit services during the half-year.

Signed at Canberra this in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Board

Paul McGlone
Executive Director & Chief Executive Officer
Canberra
6 March 2023

Interim Consolidated Statement of Financial Position – Unaudited

AS AT	Notes	Consolidated 31 Dec 2022 Unaudited US$000	30 Jun 2022 Audited US$000 *(Restated)*	31 Dec 2021 Unaudited US$000 *(Restated)*
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	52,186	40,470	57,564
Other short-term deposits		321	325	343
Trade and other receivables	6	14,843	18,586	12,806
Inventories	7	5,742	933	5,112
Other current assets		8,756	5,676	3,883
TOTAL CURRENT ASSETS		**81,848**	**65,990**	**79,708**
NON-CURRENT ASSETS				
Property, plant & equipment	8	3,152	3,033	2,431
Intangible assets	9	33,581	23,610	15,597
Right-of-use assets		2,114	2,376	2,794
TOTAL NON-CURRENT ASSETS		38,847	29,019	20,822
TOTAL ASSETS		**120,695**	**95,009**	**100,530**
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	10	7,692	11,290	6,697
Lease liabilities	11	686	653	725
Provisions		4,012	3,511	4,052
Contract liabilities		5,734	2,495	1,258
TOTAL CURRENT LIABILITIES		**18,124**	**17,949**	**12,732**
NON-CURRENT LIABILITIES				
Provisions		212	245	189
Lease liabilities	11	2,620	3,000	3,465
Borrowings	12	22,955	-	-
Financial liability at fair value through profit or loss	13	7,389	-	-
TOTAL NON-CURRENT LIABILITIES		33,176	3,245	3,654
TOTAL LIABILITIES		**51,300**	**21,194**	**16,386**
NET ASSETS		**69,395**	**73,815**	**84,144**
EQUITY				
Contributed equity	16	240,948	240,948	240,805
Accumulated losses		(175,396)	(169,973)	(161,533)
Other reserves		3,843	2,840	4,872
Equity attributable to the owners of the parent		69,395	73,815	84,144
TOTAL EQUITY		**69,395**	**73,815**	**84,144**

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

Interim Consolidated Statement of Comprehensive Income – Unaudited

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER	Notes	Consolidated 2022 Unaudited US$000	2021 Unaudited US$000 *(Restated)*
Sale of goods		2,322	5,489
Services revenue		12,193	7,335
Royalty and license fees		9,868	2,990
Revenue	**3**	**24,383**	**15,814**
Cost of sales		(8,901)	(8,416)
Gross profit		**15,482**	**7,398**
Net gain in foreign exchange		1,942	95
Finance income		369	160
Net change in fair value of financial liability (loss)		(804)	-
Other (expense) / income		(81)	(7)
Expenses			
Research and development expenses	4	(6,090)	(4,634)
Customer support and marketing expenses		(3,325)	(3,155)
Operations expenses		(5,447)	(4,230)
General and administration expenses		(6,470)	(5,498)
Finance costs		(876)	(175)
Loss before tax		**(5,300)**	**(10,046)**
Income tax expense		(123)	(82)
Loss after income tax		**(5,423)**	**(10,128)**
Loss for the period attributable to:			
Equity holders of the parent		**(5,423)**	**(10,128)**
Other comprehensive loss			
Exchange differences on translation of foreign operations		(2)	(1,447)
Other comprehensive loss net of tax		**(2)**	**(1,447)**
Total comprehensive loss		**(5,425)**	**(11,575)**
Total comprehensive loss attributable to:			
Equity holders of the parent		(5,425)	**(11,575)**
Total comprehensive loss for the period		**(5,425)**	**(11,575)**
Loss per share for loss attributable to the ordinary equity holders of the parent:			
Basic loss per share	15	(0.001)	(0.002)
Diluted loss per share	15	(0.001)	(0.002)

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

Interim Consolidated Statement of Changes in Equity – Unaudited

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER	Contributed Equity US$000	Accumulated Losses US$000	Foreign Currency Translation Reserve US$000	Employee Equity Benefits & Other Reserve US$000	Total Equity US$000
As at 1 July 2021 *(Restated)*	200,558	(151,405)	(8,457)	13,334	54,030
Loss for the period *(Restated)*	-	(10,128)	-	-	(10,128)
Other comprehensive loss *(Restated)*	-	-	(1,447)	-	(1,447)
Total comprehensive loss *(Restated)*	-	(10,128)	(1,447)	-	(11,575)
Transactions with owners in their capacity as owners:					
Issue of new shares *(Restated)*	41,275	-	-	-	41,275
Share issue costs *(Restated)*	(1,028)	-	-	-	(1,028)
Share-based payments *(Restated)*	-	-	-	1,442	1,442
At 31 December 2021 – Unaudited *(Restated)*	**240,805**	**(161,533)**	**(9,904)**	**14,776**	**84,144**
As at 1 July 2022	240,948	(169,973)	(14,128)	16,968	73,815
Loss for the period	-	(5,423)	-	-	(5,423)
Other comprehensive loss	-	-	(2)	-	(2)
Total comprehensive loss	-	(5,423)	(2)	-	(5,425)
Transactions with owners in their capacity as owners:					
Issue of new shares	-	-	-	-	-
Capital raising costs	-	-	-	-	-
Share-based payments	-	-	-	1,005	1,005
At 31 December 2022 - Unaudited	**240,948**	**(175,396)**	**(14,130)**	**17,973**	**69,395**

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

Interim Consolidated Statement of Cash Flows – Unaudited

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER	Notes	2022 Unaudited US$000	2021 Unaudited US$000 *(Restated)*
Operating activities			
Receipts from customers		32,398	18,967
Payments to suppliers		(39,476)	(26,813)
Interest received		369	160
Interest paid		-	(175)
Income tax paid		(123)	(83)
Net cash flows used in operating activities		**(6,832)**	**(7,944)**
Investing activities			
Proceeds from sale of property, plant and equipment		48	-
Purchase of property, plant and equipment	8	(524)	(222)
Payments for intangible assets (patents, licences and trademarks)	9	(91)	(132)
Payments for intangible assets (capitalised development costs)	4, 9	(11,146)	(8,623)
Net cash flows used in investing activities		**(11,712)**	**(8,977)**
Financing activities			
Proceeds from issue of new shares		-	41,275
Cost of capital raising		-	(1,028)
Proceeds from issue of Convertible Note (net of arrangement fee)	12	28,798	-
Principal repayment of lease liabilities		(481)	(308)
Net cash flows from financing activities		**28,317**	**39,939**
Net increase in cash and cash equivalents		9,772	23,018
Net increase/(decrease) due to foreign exchange difference		1,944	(995)
Cash and cash equivalents at 1 July		40,470	35,541
Cash and cash equivalents at 31 December	5	**52,186**	**57,564**

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

Notes to the Interim Consolidated Financial Statements – Unaudited

1 Corporate information

Seeing Machines Limited (the "Company" or the "Group") is a limited liability company incorporated and domiciled in Australia and listed on the AIM market of the London Stock Exchange. The address of the Company's registered office is 80 Mildura Street, Fyshwick, Australian Capital Territory, Australia.

Seeing Machines Limited and its subsidiaries (the "Group") provide operator monitoring and intervention sensing technologies and services for the automotive, mining, transport and aviation industries.

The interim consolidated financial report of the Group (the "interim financial report") for the six-month period ended 31 December 2022 was authorised for issue in accordance with a resolution of the Directors on 3 March 2023.

2 Basis of preparation and changes to the Group's accounting policies

(a) Basis of preparation

The interim financial report for the six-month period ended 31 December 2022 has been prepared in accordance with *AASB 134 Interim Financial Reporting* in order to fulfil the reporting requirements of Rule 18 of the London Stock Exchange's AIM Rules for Companies issued July 2016.

The interim financial report does not include all the information and disclosures required in the annual financial report and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2022. The interim financial report has also been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value.

There is no requirement for the interim financial report to be subject to audit or review by the external auditor and accordingly no audit or review has been conducted.

(b) Accounting policies

The accounting policies applied are consistent with those of the consolidated financial statements for the year ended 30 June 2022, except for the change in accounting policy in relating to change in presentation currency from Australian Dollars ("AU$") to United States Dollars ("US$"), as set out below:

Effective 1 July 2022, the Group's functional currency has changed from AU$ to US$. This change in functional currency is primarily indicated by the following factors:

(i) ***Sales and cash inflows:*** The currency that mainly influences sales prices for goods and services. This will often be the currency in which sales prices for goods and services are denominated and settled. During the financial year ended 30 June 2022, approximately 65% of the Group's revenue were denominated in US$. This proportion of revenue denominated in US$ is expected to significantly increase for the financial year ending 30 June 2023 and thereafter. Therefore, change in functional currency for periods commencing 1 July 2022 is considered appropriate.

(ii) ***Financing Activities:*** The Group's share capital is denominated in Great Britain Pounds ("GBP") as the Company's shares are listed on the AIM market of the London Stock Exchange. However, a significant funding arrangement and a significant exclusive collaboration arrangement, totalling to US$ 65 million with Magna International were in the final stages of execution on 1 July 2022. These arrangements were executed on 4 October 2022. Considering the materiality of these arrangements to the Group's financial position, together with the stage of execution on 1 July 2022, change in functional currency to US$ for periods commencing 1 July 2022 is considered appropriate.

(iii) ***Expenses and cash outflows:*** The Group's expenses are primarily comprised of salaries and wages for employees who are mostly domiciled in Australia and these expenses are incurred and settled in AU$. However, majority of other expenses for the Group are incurred and settled in US$. During the financial year ended 30 June 2022, approximately 30% of the Group's expenses were denominated in US$. This proportion of expenses denominated in US$ is expected to significantly increase for the financial year ending 30 June 2023 and thereafter. Further, all of the Group's inventories are purchased and denominated in US$, with the Group having significant commitments to make these purchases in US$. Therefore, change in functional currency for periods commencing 1 July 2022 is considered appropriate.

The change in functional currency will significantly reduce the volatility of the Group's earnings due to foreign exchange movements, in particular due to translation of foreign currency balances.

Notes to the Interim Consolidated Financial Statements – Unaudited

2 Basis of preparation and changes to the Group's accounting policies (continued)

(b) Accounting policies (continued)

Applying the guidance provided in *AASB 121: The Effects of Changes in Foreign Exchange Rates ("AASB 121"),* the change in functional currency to US$ has been effected on 1 July 2022 using the following procedures:

i) All items of assets and liabilities were translated from AU$ to US$ using the US$/ AU$ exchange rate prevailing on the date of change, i.e. start of 1 July 2022. The exchange rate used was US$ 0.68879/ AU$. As all assets and liabilities are translated using the exchange rate at the date of change, the resulting translated amounts for non-monetary items are treated as their historical cost.

ii) Equity items were translated from AU$ to US$ using the historical rate at the date of the transactions.

iii) Resulting differences in the historical rates and rate on date of change is recognized in the Foreign Currency Translation Reserve.

In line with the change in functional currency from AU$ to US$, and to provide investors and other stakeholders a clearer understanding of the Group's performance over time, the Directors have elected to change the Group's presentation currency from AU$ to US$. The change in presentation currency is a voluntary change which is accounted for retrospectively and comparatives in the interim financial report have been restated accordingly. Applying the guidance provided in *AASB 121*, the Group's interim financial report has been restated to US$ using the procedures outlined below:

i) Interim Consolidated Statement of Comprehensive Income and Interim Consolidated Statement of Cash Flows have been translated into US dollars using average foreign currency rates prevailing for the relevant period.

ii) Assets and liabilities in the Interim Consolidated Statement of Financial Position have been translated into US$ at the closing foreign currency rates on the relevant balance sheet dates.

iii) The equity section of the Interim Consolidated Statement of Financial Position, including foreign currency translation reserve, retained earnings, share capital and the other reserves, have been translated into US$ using historical rates.

iv) Earnings per share and dividend disclosures have also been restated to US$ to reflect the change in presentation currency.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 Segment information

a. Segment revenue based on operating segment

The following table presents revenue and net loss information for the Group's operating segments for the six-month periods ended 31 December 2022 and 2021, respectively:

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER Unaudited	Segment Revenue 2022 US$000	Segment Revenue 2021 US$000 *(Restated)*	Segment Loss 2022 US$000	Segment Loss 2021 US$000 *(Restated)*
OEM	14,037	3,832	(2,282)	(6,805)
Aftermarket	10,346	11,982	(3,141)	(3,323)
Total	**24,383**	**15,814**	**(5,423)**	**(10,128)**

Notes to the Interim Consolidated Financial Statements – Unaudited

3 Segment information (continued)

b. Revenue from contracts with customers

In the following tables, revenue segments have been disaggregated by type of goods or services which also reflects the timing of revenue recognition.

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2022 Unaudited	OEM US$000	Aftermarket US$000	Total US$000
Revenue Types			
Sales at a point in time			
Consulting	-	-	-
Hardware and Installations	436	1,971	2,407
Royalties	-	1,012	1,012
Sales over time			
Driver Monitoring	-	5,249	5,249
Non-recurring Engineering	4,745	2,114	6,859
Royalties	3,116	-	3,116
Licensing	5,740	-	5,740
Total revenue	**14,037**	**10,346**	**24,383**

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2021 Unaudited	OEM US$000 *(Restated)*	Aftermarket US$000 *(Restated)*	Total US$000 *(Restated)*
Revenue Types			
Sales at a point in time			
Consulting	-	613	613
Hardware and Installations	377	5,019	5,396
Royalties	-	1,448	1,448
Sales over time			
Driver Monitoring	-	4,902	4,902
Non-recurring Engineering	1,913	-	1,912
Royalties	1,542	-	1,542
Total revenue	**3,832**	**11,982**	**15,814**

c. Geographic information

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER Unaudited	2022 US$000	2021 US$000 *(Restated)*
Revenues from external customers		
Australia	4,153	5,452
North America	15,117	7,253
Asia-Pacific (excluding Australia)	1,763	1,340
Europe	2,198	849
Other	1,152	920
Total revenue from external customers	**24,383**	**15,814**

The revenue information above is based on the locations of the customers.

Notes to the Interim Consolidated Financial Statements – Unaudited

4 Research and development expenses

Research and development expense relates to ongoing investment in the Group's core technology.

The Group incurred total research and development expenses of US$17,236,000 during the six-months ended 31 December 2022 (2021: US$13,191,000 *(Restated)*), of which US$11,146,000 (2021: US$8,623,000 *(Restated)*) were capitalised.

As part of the assessment of research and development expenses at 30 June 2022, total costs of US$16,558,000 *(Restated)* were capitalised for the year ended 30 June 2022, of which US$8,623,000 *(Restated)* pertained to the six-month period ended 31 December 2021.

5 Cash and cash equivalents

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	31 Dec 2022 Unaudited US$000	30 June 2022 Audited US$000 *(Restated)*
Cash at bank	22,570	40,470
Term deposits maturing in less than 3 months	29,616	-
Total cash and cash equivalents	**52,186**	**40,470**

6 Trade and other receivables

Current	31 Dec 2022 Unaudited US$000	30 June 2022 Audited US$000 *(Restated)*
Trade receivables (net of provisions)	14,289	18,138
Deferred finance income	(89)	(105)
	14,200	**18,033**
Other receivables	643	553
Total trade and other receivables - current	**14,843**	**18,586**

7 Inventories

	31 Dec 2022 Unaudited US$000	30 June 2022 Audited US$000 *(Restated)*
Finished goods (at lower of cost and net realisable value)	5,758	949
Provision for obsolescence	(15)	(16)
Total inventories at the lower of cost and net realisable value	**5,742**	**933**

Notes to the Interim Consolidated Financial Statements – Unaudited

8 Property, plant and equipment

Acquisitions and disposals

During the six-month period ended 31 December 2022, the Group acquired assets with a cost of US$524,000 (2021: US$222,000 *(Restated)*).

Assets costing US$17,000 (2021: nil) relating to plant and equipment were disposed by the Group during the six-month period ended 31 December 2022.

9 Intangible assets

During the six-month period ended 31 December 2022, the Group incurred expenditure of US$11,237,000 (2021: US$8,755,000 *(Restated)*) related to intangibles. US$91,000 (2021: US$132,000 *(Restated)*) of this expenditure related to patent and trademark applications and licenses. US$11,146,000 (2021: US$8,623,000 *(Restated)*) related to capitalised development costs.

No intangible assets were disposed by the Group during the six-month period ended 31 December 2022 (2021: US$1,000).

10 Trade payables

At 31 December 2022, the balance of the trade payables was US$7,692,000 (30 June 2022: US$11,290,000 *(Restated)*), of which an amount of US$7,659,000 (30 June 2022: US$11,264,000 *(Restated)*) was aged less than 60 days; and an amount of US$33,000 (30 June 2022: US$26,000 *(Restated)*) was aged over 60 days.

11 Lease liabilities

	31 Dec 2022 Unaudited US$000	30 June 2022 Audited US$000 *(Restated)*
Current		
Lease liabilities	686	653
Non-current		
Lease liabilities	2,620	3,000
Total lease liabilities	**3,306**	**3,653**

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted payments:

AT 31 DEC 2022	<=6 months US$000	6-12 months US$000	>1 year US$000	Total US$000	Carrying Value US$000
Lease liabilities	447	456	3,002	**3,905**	3,306

AT 30 JUN 2022 *(Restated)*	<=6 months US$000	6-12 months US$000	>1 year US$000	Total US$000	Carrying Value US$000
Lease liabilities	446	452	3,478	**4,376**	3,653

12 Borrowings – Non-Current

	31 Dec 2022 Unaudited US$000	30 June 2022 Audited US$000 *(Restated)*
Convertible Note – Tranche 1 at amortised cost	22,955	-
Total	**22,955**	**-**

Movements during the period:

	31 Dec 2022 Unaudited US$000	30 June 2022 Audited US$000 *(Restated)*
Opening balance	-	-
Drawdown during the period	30,000	-
Adjustment of arrangement fees to effective interest rate	(1,202)	-
Reclassification to Financial liability at fair value through profit or loss	(6,585)	-
Interest amortised during the period	742	-
Closing balance at amortised cost	**22,955**	**-**

On 4 October 2022, Seeing Machines received funding of US$47.5m from Magna International in the form of a non-transferable 4-year convertible note maturing in October 2026 (the "Convertible Note"). The Convertible Note can be drawn down in two tranches across the 4-year term. The Convertible Note has an all-in yield of 8%, inclusive of fees. The Convertible Note contains standard covenants, and anti-dilution provisions. The interest due at the end of the facility can be paid in cash or converted into equity at Seeing Machines' election.

The first tranche ("Convertible Note – Tranche 1) of US$30m, was drawn on 5 October 2022 and the remainder is available until December 2024. The Convertible Note – Tranche 1 is valued at amortised cost in accordance with *AASB 9* Financial Instruments ("AASB 9") and has an effective interest rate as per AASB 9 of 14.4643% per annum inclusive of all fees.

Magna may elect to convert the principal and at Seeing Machines' election, interest outstanding under the Convertible Note at any time during its term, up to a maximum of 349,650,350 shares which, when added to Magna's existing shareholding in the Company, will represent approximately 9.9% of the fully diluted share capital of the Company. The conversion will be at a price of 11 British pence per share. The option provided to Magna is deemed to be an embedded derivative and is accounted for as a financial liability at fair value through profit or loss. Refer to Note 13 below.

13 Financial liability at fair value through profit or loss

	31 Dec 2022 Unaudited US$000	30 June 2022 Audited US$000 *(Restated)*
Option component of Convertible Note – Tranche 1	7,389	-
Total	**7,389**	**-**

Movements during the period:

	31 Dec 2022 Unaudited US$000	30 June 2022 Audited US$000 *(Restated)*
Opening balance	-	-
Reclassification from Borrowings – Non-Current	6,585	-
Movement in fair value	804	-
Closing balance	**7,389**	**-**

Notes to the Interim Consolidated Financial Statements – Unaudited

14 Dividends paid

No interim dividends or distributions have been made to members during the six-month period ended 31 December 2022 (2021: nil) and no interim dividends or distributions have been recommended or declared by the directors in respect of the six-month period ended 31 December 2022 (2021: nil).

15 Earnings per share

The following table reflects the income and share data used in the basic and diluted earnings per share computations:

Earnings used in calculating earnings per share

	Consolidated	
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER	2022 US$000	2021 US$000 *(Restated)*
For basic and diluted earnings per share:		
Net loss	(5,423)	(10,128)
Net loss attributable to ordinary equity holders of the Company	**(5,423)**	**(10,128)**

Weighted average number of shares

AT 31 DECEMBER	2022 Thousands	2021 Thousands
Weighted average number of ordinary shares for basic earnings per share	4,156,019	3,931,717
Weighted average number of ordinary shares adjusted for the effect of dilution	4,156,019	3,931,717

16 Share capital

	Consolidated	
	31 Dec 2022 Unaudited US$000	30 June 2022 Audited US$000 *(Restated)*
Ordinary shares	240,948	240,948
Total contributed equity	**240,948**	**240,948**

Number of ordinary shares

	Consolidated	
	31 Dec 2022 Unaudited Thousands	30 June 2022 Audited Thousands
Issued and fully paid	4,156,019	4,156,019

Fully paid shares carry one vote per share and carry the right to dividends.

The Company has no set authorised share capital and shares have no par value.

17 Share-based payments

LTI 2021 - Performance rights or share options offers - Executive and key staff

From 1 July 2015, senior staff and other key staff are offered long term incentive (LTI) performance rights or share options. Under this structure, the staff are only able to exercise the rights, and have new ordinary shares issued to them, if any performance, market and vesting conditions are met. These conditions typically include a performance condition requiring the staff member to achieve a minimum “meets expectations” rating and some rights have included a market condition in the form of a minimum Target Share Price (TSP). The vesting period ranges from 9 months to 5 years from the end of the relevant financial year or grant date. Performance rights or options are often offered as part of the annual remuneration review and may be offered at other times. Any offer of performance rights or options requires Board approval and, when granted, is announced to the market.

In November 2021 the Company awarded a total of 64,996,414 performance rights in respect of ordinary shares to Executive and key staff to be issued at nil cost.

14,845,702 of the performance rights under the LTI have been awarded in recognition of the past achievement of the Company's objectives in FY2021. The rights were valued at the spot rate of the shares at grant date, and the value is amortised over the vesting period. The rights vest annually over 3 years in equal tranches with the first vesting date being 1 July 2022 and require the employee to remain continuously employed by the Company until each relevant vesting date. If an employee leaves before the rights vest and the service condition is therefore not met, the rights lapse.

In some cases, for ‘good leavers’, determined on a discretionary basis by management, options are prorated for service in the current period and that portion are vested on termination, and the remaining rights are cancelled.

The remaining 50,150,712 performance rights have been granted under Key Person Agreements in respect of a total of 27 nominated key people. These people have been identified as having key roles directly related to the Company's long-term success and the allocation of accelerated performance rights has been implemented by the Board to successfully retain these employees and affirm successful delivery on a range of projects and customer commitments. These awards have an accelerated grant with delayed vesting taking place on 1 July 2024 and require the employee to remain continuously employed by the Company until the vesting date. If an employee leaves before the rights vest and the service condition is therefore not met, the rights lapse.

In October 2022 the Company awarded a total of 11,151,003 performance rights in respect of ordinary shares to Executive and key staff to be issued at no cost. These rights have been awarded in recognition of the past achievement of the Company's objectives in FY2022. The rights were valued at the spot rate of the shares at grant date, and the value is amortised over the vesting period. The rights vest annually over 3 years in equal tranches with the first vesting date being 1 July 2023 and require the employee to remain continuously employed by the Company until each relevant vesting date. If an employee leaves before the rights vest and the service condition is therefore not met, the rights lapse.

There is no cash settlement of the rights. The Group accounts for the Executive Share Plan as an equity-settled plan.

18 Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties during the six-month period ended 31 December 2022 and 2021:

		Balance 1-Jul Thousands	Granted as Remuneration Thousands	Acquired or sold for cash Thousands	Balance 31-Dec Thousands
Director shares:					
Directors' securities	2022	6,552	-	-	6,552
Directors' securities	2021	5,714	-	238	5,952

19 Commitments

As at 31 December 2022, the group had commitments of US$15,289,000 (31 December 2021: US$23,673,000 *(Restated)*) relating to the manufacturing contract for the Group's Guardian 2.1 product for the period January 2023 to June 2023.

Notes to the Interim Consolidated Financial Statements – Unaudited

20 Events after the reporting period

There have been no matters that have occurred subsequent to the reporting date, which have significantly affected, or may significantly affect, the Group's operations, results or state of affairs in future periods.

Directors' Declaration

In accordance with a resolution of the Directors of Seeing Machines Limited, I state that:

In the opinion of the Directors:

(a) The financial statements and notes of Seeing Machines Limited for the six-month period ended 31 December 2022 present fairly, in all material aspects, the consolidated entity's financial position as at 31 December 2022 and of its performance for the six-month period ended on that date, in accordance with the Australian Accounting Standards.

(b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Paul McGlone
Executive Director & Chief Executive Officer
Canberra
6 March 2023