



Appendix 4E

Preliminary Final Report
Under Listing Rule 4.3A

SPACETALK LTD
ABN 93 091 351 530

Year Ending 30 June 2021
(Previous corresponding period – Year Ending 30 June 2020)

Appendix 4E

SPACETALK LTD

ABN 93 091 351 530

Preliminary Final Report

Year Ending 30 June 2021

(Previous corresponding period – Year Ending 30 June 2020)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

\$

| | | | |
|--|-------------|----|-------------|
| Revenue from ordinary activities | Up by 44% | to | 15,121,573 |
| Profit/(loss) from ordinary activities after tax attributable to members | Down by 58% | to | (1,792,029) |
| Net Profit/(loss) for period attributable to members | Down by 58% | to | (1,780,148) |

| Dividends (distributions) | Amount per security | Franked amount per security |
|---|---------------------|-----------------------------|
| Final dividend | Nil¢ | Nil¢ |
| Previous corresponding period | Nil¢ | Nil¢ |
| Record date for determining entitlements to dividends | Not applicable | |
| Payment date | Not applicable | |

| Net tangible asset backing | 30 June 2021 | 30 June 2020 |
|--|--------------|--------------|
| Net tangible asset backing per ordinary security | \$0.04 | \$0.03 |

| Control gained or lost over entities during the period | |
|--|----------------|
| Name of entity | Not applicable |
| Date of gaining or losing control | Not applicable |

| Dividend or distribution reinvestment plan details | |
|---|--|
| There is no conduit foreign income for this dividend. | |

| Joint venture and associate details | Not applicable |
|---|----------------|
| Foreign entities' accounting standards used | Not applicable |

| Status of Audit | The accounts are in the process of being audited. The accounts are not subject to dispute or qualification. |
|-----------------|---|
|-----------------|---|

All growth rates in this Appendix 4E are provided in comparison to the prior corresponding period (year ending 30 June 2020) unless otherwise stated.

Certain values in this Report are rounded to the reported decimal place and may impact aggregation representations.

For personal use only

Financial Statements

For the Year Ended 30 June 2021

(Previous corresponding period - Year Ended 30 June 2020)



CONNECTED FAMILIES • CONFIDENT KIDS • SAFE SENIORS



Preliminary Final Report

Year Ended 30 June 2021

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Corporate Directory

| | |
|--------------------------|---|
| Registered Office | Suite 13, The Parks 154 Fullarton Road Rose Park SA 5067 |
| Principal Office | Suite 13, The Parks 154 Fullarton Road Rose Park SA 5067 Telephone: (08) 8104 9555 Facsimile: (08) 8431 2400 |
| Auditor* | Ian G McDonald Telephone: 0419 620 906 |
| Share Registry | Computershare Investor Services Pty Ltd Level 5 115 Grenfell Street Adelaide SA 5000 Telephone: 1300 556 161 Overseas Callers: +61 3 9415 4000 Facsimile: 1300 534 987 |
| Stock Exchange | The securities of Spacetalk Ltd. are listed on the Australian Securities Exchange. |
| ASX Code | SPA ordinary fully paid shares |

*This Appendix 4E is based on unaudited accounts which are in the process of being audited. The accounts are not subject to dispute or qualification.

Review of Operations & Financial Results for the Year Ending 30 June 2021

Operational Highlights

- 2 new devices brought to market - the next-generation Spacetalk Adventurer for kids and Spacetalk LIFE for seniors.
 - Adventurer is the market's leading connected kids wearable device; packed with cool features, it is designed to give kids the confidence to go explore and seek out new adventures, and their parents more peace of mind. It marks a significant advancement for the kids smartphone watch category, incorporating major mobile technology, industrial design and software engineering breakthroughs into a high-quality device.
 - LIFE is a new seniors connected wearable device designed for the unique needs of older Australians to support them to live independently, safely and to improve quality of life for themselves and their carers
- Telstra and Vodafone in Australia, and Telefonica (O2) and Virgin Mobile in the UK. Commenced selling with Vodafone on monthly plans, with Telstra, O2 and Virgin to roll-out plans in August and September 2021
- Increase in mass market retail bricks and mortar ranging from 902 to 1,288 stores globally, with tier-1 retailers (JB Hi-Fi, Officeworks, The Good Guys, Harvey Norman, Currys PC World) in ANZ and the UK staging Spacetalk's product suite across their national footprints
- Complete new-build of the Spacetalk App, featuring an updated UI/UX, group Family Chat with pictures and video sharing, advanced health and fitness, and enhanced parent controls. The app can be installed on multiple devices so parents, grandparents - the whole family and approved friends - can know that their loved ones are safe and stay connected in engaging ways.
- Fall Detection rolled-out to LIFE seniors devices via a free over-the-air upgrade, introduced groundbreaking new technology, incorporating real time data recording and triangulation, AI, and machine learning. Falls among the elderly is one of the most important public health issues in today's aging society, and the roll-out of Fall Detection considerably broadens use-case and marketability of LIFE as an assistive device
- Launched B2B2C channel for LIFE seniors device. Targets aged/home care, NDIS operators and Occupational Therapists ('OTs'). Registered as an Approved NDIS Provider. Pricing for LIFE repositioned to enable 100% Government funding via the NDIS, CHSP, HCP
- Enhanced people presence in the UK and in the USA in preparation for a CY2021 launch; new Country Managers, sales and customer support staff. Advanced go-to-market and partner engagement for USA launch in CY2021
- Company name changed to Spacetalk Ltd. (ASX ticker: SPA) from MGM Wireless Limited (ASX ticker: MWR). Unifies and simplifies corporate, product and marketing communication. Reflects the tremendous growth in the Spacetalk Wearables division to more than 4x the size of the Schools business, and the larger business opportunity it presents going forward

Financial Highlights

2021 FINANCIAL RESULTS SUMMARY

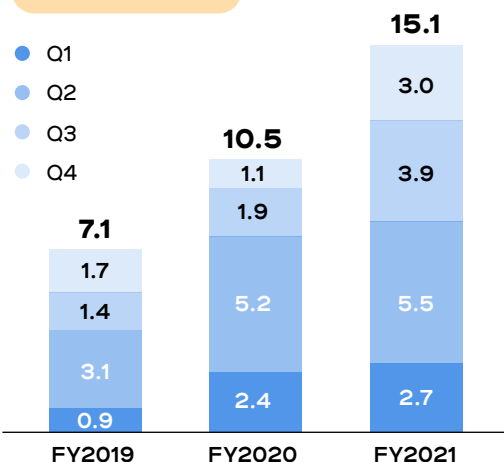
2021 Key results

| Twelve months ending 30 June | 2021 | 2020 | Change |
|--|---------------|---------------|--------------------------|
| \$ million unless otherwise specified | | | |
| Total Revenue | 15.12 | 10.49 | increased by 44% |
| Wearables Revenue | 12.75 | 7.70 | increased by 65% |
| School Communication Business Revenue | 2.25 | 2.74 | decreased by 18% |
| EBITDA* | 1.08 | (0.21) | increased by 615% |
| Net Loss | (1.78) | (4.27) | decreased by 58% |
| EBITDA margin* | 7% | (2%) | increased by 450% |
| Net cash from operating activities | (1.18) | 0.94 | decreased by 226% |
| Cash balance | 4.19 | 3.17 | increased by 32% |
| Net cash/(debt) | 1.27 | 3.17 | decreased by 60% |
| Earnings per share (basic) cents | (1.09) | (3.10) | increased by 65% |

*Excluding non-cash options and share expenses.

FY2021 GROUP REVENUE (\$M)

CAGR¹: 46%

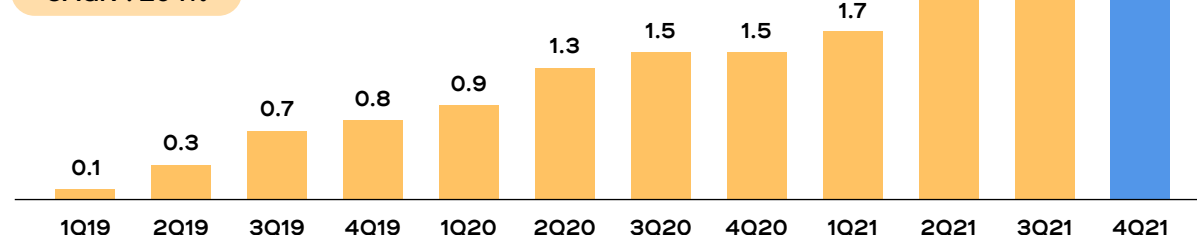


HIGHLIGHTS

- Highest ever year of Group Revenue of **\$15.1m +44%**
- Device Revenue grew **65%** to **\$10.6m**
- App Annualised Recurring Revenue (ARR) grew **87% pcp** to **\$2.8m**
- App Revenue grew **76%** to **\$2.2m**
- Schools Business Revenue of **\$2.25m** was down **18%** (reflecting a one-off SMS revenue spike in FY2020 due to increased COVID-19 demand)
- Group EBITDA (excluding non-cash options and share expenses), improved **615%** to **\$1.1m**
- Cash at Bank at June 30, 2020 **\$4.2m**, including **\$3m** of drawn debt (with an additional **\$2.0m** of committed credit available to the Company)

FY2021 APP ARR (\$M)

CAGR¹: 204%



WEARABLES DIVISION - MULTI-PRODUCT, STRONG REVENUE GROWTH

DEVICES SALES

The Company recorded its best ever year of revenue of \$15.1 million (+44%) and positive EBITDA of \$1.1 million (+615%), largely attributable to continuing strong device sales of \$10.6 million (+65%). ANZ device sales grew by 85% to \$9.1 million, and the UK was flat at \$1.5m impacted by a particularly prolonged lockdown for COVID-19, a net-negative for tracking and communication products.

Devices sales benefited from -

1. More than one Spacetalk device being offered in the same category for the first time in the Company's history - specifically, the original Spacetalk Kids and Spacetalk Adventurer devices for children, and Spacetalk LIFE creating a new category of seniors connected wearables.
2. Strong in-fill demand from existing and new channel partners, both in ANZ, where Spacetalk continues to grow our market leading position, and in the UK, with the onboarding of new tier-1 MNOs: Telefonica UK (O2) and Virgin Mobile, and Sky UK investing further to expand its ranging of our products to include Adventurer. Bricks-and-mortar distribution expanded from 902 to 1,288 stores globally, with selected tier-1 retailers ranging Spacetalk products across their national footprints.

Confidence from new and existing retail and MNO partners to range our products contributed to \$8.8 million (+66%) of device sales, with the Company's e-commerce site contributing \$1.8 million (+63%).

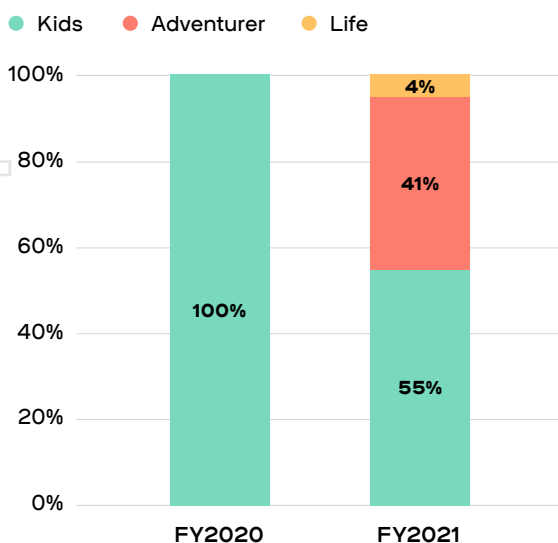
Spacetalk Adventurer has been a particular success since its launch in December 2020 and is our flagship device, accounting for 41% of device sales revenue achieved in just over six months of the year ended 30 June 2021 (versus 55% for Spacetalk Kids and 4% for Spacetalk LIFE, which sold for the whole year). The next generation 4G all-in-one smartphone watch and GPS for kids is fun, fashionable, safe and technologically advanced, and is redefining the category. Spacetalk Adventurer is the first and presently sole offering in the category of leading new MNO partners, including Telstra and Telefonica UK (O2) - a strong worldwide endorsement of the quality, reliability and customer brand appeal of our devices and App.

Finally, contributing to the business' considerable expansion over the year ended 30 June 2021, albeit still presently in the infancy of its buildout, was the roll-out of a new strategic business model for Spacetalk LIFE for seniors, involving:

1. Registration as an NDIS provider and our engagement with Aged and Home Care providers, NDIS providers and OTs as channels to market for the devices via a B2B2C arrangement
2. A significant technological advancement for the Spacetalk LIFE seniors device, with the rollout of Fall Detection. Fall Detection introduced ground-breaking new technology, incorporating real time data recording and triangulation, Artificial Intelligence (AI), and machine learning; continually enhancing its high accuracy in real time as more people use the devices.

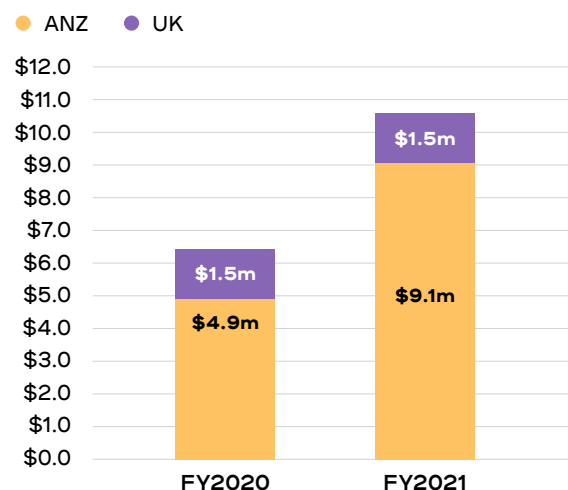
The strong global growth in the kids smartphone watch category, and the urgent focus of retailer and MNOs, has enabled us to increase sales while decreasing our Customer Acquisition Costs¹ ("CAC") to \$1.5 million (-14%), as the Company increasingly benefits from operating leverage.

UNIT SALES



- **Adventurer for Kids:** launched in Dec-20 exclusively via JB Hi-Fi
- **Life for Seniors:** ranging for sales from Jul-20 (e-com, then retailer)

LEADER IN AUSTRALIA UK COVID-19 LOCKDOWN IMPACTED



\$8.8m

Retail + MNO² partners

+66%

\$1.8m

Company e-com

+63%

¹ Customer Acquisition Cost = Advertising and Marketing expenses.

² MNO = Mobile Network Operators

NEW SPACETALK APP

App Revenue +76% to \$2.2 million and App Annual Recurring Revenue (ARR or monthly Spacetalk App subscription revenue) +87% to \$2.8 million, continue to build strongly.

In December 2020, the Company released the new Spacetalk App, replacing the AllMyTribe App and providing new functionality beyond parental controls; featuring group Family Chat with pictures and video, advanced health and fitness, and enhanced parent controls. Every linked contact, regardless of device or age, can now stay connected in the more fun, engaging and secure Spacetalk ecosystem.

The business relevance of the new Spacetalk App is as significant as the continuing strong revenue growth in sales from the Company's suite of devices. The introduction of the Family Chat function (with video and picture sharing) is expected to engender a much stronger and 'sticky' network effect for customer adoption. Similar to the WhatsApp² messaging platform, Spacetalk Family Chat enables family members and friends that are contacts of Spacetalk devices to keep connected via group chats; where uniquely however, the privacy and security of the "family" is secured by each Family Chat group being only accessible to the Spacetalk device's list of approved contacts. A viral network effect is created as more and more family and friends are linked and become part of the chat group, which not only increases the user base of the Spacetalk ecosystem, but also grows brand awareness and reach to potential new acquirers of Spacetalk devices and the new networks created thereof.

SCHOOL BUSINESS

The Schools Business revenue was \$2.25 million (-18%), reflecting a one-off SMS revenue spike in FY2020 due to increased COVID-19 demand.

The Schools business continues to deliver steady profit performance, with multi-year State Government contracts providing stable recurring cash flows.

GROUP - STRONG CAPITAL MANAGEMENT

Group gross profit of \$9.4 million (+26%) at a healthy gross margin of 62% was positively impacted by increasing sales, and despite higher operating costs of \$8.3 million (+9%) the Company generated a healthy EBITDA of \$1.1 million (+615%).

Gross profit of \$9.4 million (+26%) was positively impacted by increasing sales and gross margins.

Corporate and administrative expenses increased slightly to \$3.3 million (+4%); selling and distribution costs grew in line with increased sales volumes, however costs were contained with reductions in corporate consulting fees, warranty costs, travel expenditure, and fees from Apple and Google platforms.

A Foreign Exchange loss of \$0.4 million was incurred due to movements in the AUD:USD hedge and exchange rate at the time of inventory delivery.

Advertising and marketing costs decreased to \$1.5m (-14%), benefiting from operating leverage of partner marketing. These included promotions over the most important shopping days leading up to Christmas and television advertising in Australia and the UK.

Employee costs increased to \$3.0 million from \$2.8 million (includes 650K COVID related payroll subsidy credits received for the year ending 30 June 2021, and 166K for the year ending 30 June 2020). The Company significantly strengthened the management team, with multiple senior appointments in marketing, sales, logistics, customer after sale service and product development in ANZ, the UK and USA, and team builds of our operations, customer service and sales teams in the UK and USA. At 30 June 2021, the Company employed 49 staff.

Significant once-off non-cash expenses included options and share issue costs of \$0.3 million, down from \$2.5 million, and depreciation and amortisation of \$2.99 million (+22%).

At 30 June 2021 the Group held cash of \$4.2 million (including \$3.0m of drawn debt and an additional \$2.0 million undrawn line of credit available), \$1.2 million in prepayments of outstanding inventory, an R&D tax incentive of \$0.5 million and \$2.2 million in receivables.

Despite the global COVID related chip shortages and supply chain challenges, the company successfully navigated its way to meet its MNO and Mass Market Retailer inventory demands.

² WhatsApp is a registered Trademark of WhatsApp Inc, a company owned by Facebook, Inc.

BUSINESS & STRATEGY UPDATE

FY2022 has started strong, with O2 successfully launching in August 2021.

Adventurer continues to grow market share with increased distribution and sell-through, continuing to consolidate its position as the market leading connected kids wearable device.

The Company is working with several NDIS, aged care and home care service providers to pilot a mass market, scalable go-to-market strategy to enable over 39,000 Aged Care and NDIS service providers in Australia to promote and sell Spacetalk LIFE to their clients.

The Company is committed to the following objectives for FY2022:

1. Growing the top-line with our expanded product suite - original Kids, Adventurer and LIFE - and channels - bricks and mortar retail, MNO and new geographies, with funding in place to pursue growth
2. Expanding Spacetalk LIFE for seniors distribution to a B2B2C model, where we are seeing strong interest from aged care and home care providers
3. Advancing our Spacetalk Device/App/Server Ecosystem through new, engaging functionality, multi-language support and creating new subscription/ARR business models and revenue streams
4. Expanding our global market penetration, in the UK and pan-Europe by advancing new bricks and mortar launches and onboarding new MNOs, and in the USA by rolling out more broadly the go-to-market planned for CY2021
5. Improving operating cost efficiencies as we grow, with the aim of acquiring new customers at a lower cost as we scale in ANZ and take a disciplined approach to capital management with our international expansion.



MARK FORTUNATOW
EXECUTIVE CHAIRMAN

Rose Park, 18th August 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | Notes | Group Year Ending | |
|--|-------|--------------------|--------------------|
| | | 30/06/2021 | 30/06/2020 |
| | | \$ | \$ |
| Continuing Operations | | | |
| Revenue | 2 | 15,121,573 | 10,486,518 |
| Cost of sales | | (5,759,779) | (3,049,807) |
| Doubtful debts | | (75,170) | (14,544) |
| Interest expense | | (172,128) | (127,632) |
| Amortisation & depreciation | | (2,993,992) | (2,458,697) |
| Options and share issue costs | | (351,342) | (2,477,662) |
| Corporate and administration | | (3,292,530) | (3,167,824) |
| Advertising and marketing | | (1,491,229) | (1,741,184) |
| Employee costs | | (3,029,154) | (2,762,209) |
| (Loss)/ Gain on foreign exchange | | (391,968) | 41,696 |
| (Loss)/ profit before tax | | (2,435,719) | (5,271,345) |
| Income tax benefit | 3 | 655,571 | 1,005,893 |
| Net loss for the period attributable to owners of the Company | | (1,780,148) | (4,265,452) |
| Other comprehensive income, net of income tax | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translating foreign operations | | (11,881) | (4,485) |
| Other comprehensive income for the period (net of tax) | | (11,881) | (4,485) |
| Total comprehensive income for the period attributable to owners of the Company | | (1,792,029) | (4,269,937) |
| (Loss)/profit attributable to: | | | |
| Owners of the Company | | (1,792,029) | (4,269,937) |
| Earnings per share | | | |
| Basic (cents per share) | 4 | (1.09) | (3.10) |
| Diluted (cents per share) | 4 | (1.03) | (3.03) |

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the attached notes.

Consolidated Statement of Financial Position

| | | Group As At | |
|--------------------------------------|-------|-------------------|-------------------|
| | Notes | 30/06/2021 | 30/06/2020 |
| | | \$ | \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | 4,185,033 | 3,165,125 |
| Trade and other receivables | 6 | 2,218,826 | 1,049,580 |
| Inventories | | 1,736,994 | 977,851 |
| Other current assets | 7 | 2,774,845 | 1,061,566 |
| Total Current Assets | | 10,915,698 | 6,254,122 |
| Non-Current Assets | | | |
| Property, plant and equipment | 9 | 205,911 | 182,731 |
| Intangibles | 10 | 3,941,220 | 3,713,004 |
| Right-of-use assets | 11 | 289,016 | 134,111 |
| Deferred tax assets | | 655,661 | 458,488 |
| Total Non-Current Assets | | 5,091,808 | 4,488,334 |
| Total Assets | | 16,007,506 | 10,742,456 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 12 | 1,944,348 | 2,084,841 |
| Provisions | | 418,494 | 208,790 |
| Lease liabilities | 11 | 183,539 | 135,642 |
| Current tax liabilities | | 51,379 | - |
| Total Current Liabilities | | 2,597,760 | 2,429,273 |
| Non-Current Liabilities | | | |
| Borrowings | 15 | 1,538,125 | - |
| Warrants | 15 | 2,409,726 | - |
| Lease liabilities | 11 | 109,304 | - |
| Deferred Tax Liabilities | | 1,046 | - |
| Total Non-Current Liabilities | | 4,058,201 | - |
| Total Liabilities | | 6,655,961 | 2,429,273 |
| Net Assets | | 9,351,545 | 8,313,183 |
| EQUITY | | | |
| Issued capital | 13 | 18,686,099 | 16,124,617 |
| Reserves | 14 | 6,442,745 | 6,185,717 |
| Accumulated losses | | (15,777,299) | (13,997,151) |
| Total Equity | | 9,351,545 | 8,313,183 |

The above Consolidated Statement of Financial Position should be read in conjunction with the attached notes.

Consolidated Statement of Changes in Equity

| | Issued Capital | Accumulated Losses | Share based payment Reserve | Foreign Currency Translation Reserve | Total Equity |
|--|-------------------|---------------------|-----------------------------|--------------------------------------|------------------|
| Consolidation | \$ | \$ | \$ | \$ | \$ |
| At 1 July 2019 | 10,806,726 | (9,731,699) | 3,756,515 | (26,544) | 4,804,998 |
| Loss attributable to members | - | (4,265,452) | - | - | (4,265,452) |
| Currency translation differences | - | - | - | (4,485) | (4,485) |
| Total comprehensive income | - | (4,265,452) | - | (4,485) | (4,269,937) |
| Transaction with owners Contributions and distributions | | | | | |
| Shares issued | 5,581,525 | - | - | - | 5,581,525 |
| Options exercised | 14,000 | - | - | - | 14,000 |
| Cost of share issued | (289,224) | - | - | - | (289,224) |
| Options/rights issued | 11,590 | - | 2,460,231 | - | 2,471,821 |
| Transactions with owners | 5,317,891 | - | 2,460,231 | - | 7,778,122 |
| At 30 June 2020 | 16,124,617 | (13,997,151) | 6,216,746 | (31,029) | 8,313,183 |
| Loss attributable to members | - | (1,780,148) | - | - | (1,780,148) |
| Currency translation differences | - | - | - | (11,881) | (11,881) |
| Total comprehensive income | - | (1,780,148) | - | (11,881) | (1,792,029) |
| Transaction with owners Contributions and distributions | | | | | |
| Share issued | 2,505,047 | - | - | - | 2,505,047 |
| Options exercised | - | - | - | - | - |
| Cost of share issued | (29,095) | - | - | - | (29,095) |
| Options/rights issued | 85,530 | - | 268,909 | - | 354,439 |
| Transactions with owners | 2,561,482 | - | 268,909 | - | 2,830,391 |
| At 30 June 2021 | 18,686,099 | (15,777,299) | 6,485,655 | (42,910) | 9,351,545 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the attached notes.

Consolidated Statement of Cash Flows

| | Group Year Ending | |
|---|-------------------|------------------|
| | 30/06/2021 | 30/06/2020 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers | 15,264,873 | 10,175,388 |
| Payments to suppliers | (16,842,403) | (10,065,525) |
| Tax receipts | 650,612 | 955,103 |
| Interest payments | (257,596) | (127,632) |
| Net cash provided by operating activities | (1,184,514) | 937,334 |
| Cash flows from investing activities | | |
| Payments for plant and equipment | (48,089) | (42,044) |
| Payment for development | (2,997,639) | (3,101,983) |
| Net cash (used in)/provided by investing activities | (3,045,728) | (3,144,027) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 2,495,047 | 5,500,003 |
| Costs associated with issue of shares | (35,653) | (289,224) |
| Proceeds from options exercised | - | 14,000 |
| Proceeds from borrowings | 3,000,000 | - |
| Issue of convertible note | - | 500,000 |
| Payment of lease liabilities | (197,363) | (234,348) |
| Repayment of convertible notes | - | (1,750,000) |
| Net cash provided by/(used in) financing activities | 5,262,031 | 3,740,431 |
| Net increase/(decrease) in cash held | 1,031,789 | 1,533,738 |
| Cash at the beginning of the year | 3,165,125 | 1,635,872 |
| Effect of exchange rate changes | (11,881) | (4,485) |
| Cash at the end of the year | 4,185,033 | 3,165,125 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the attached notes.

Notes to the Financial Statements for the Year Ending 30 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The Appendix 4E preliminary final report has been prepared in accordance with ASX listing rules and the recognition and measurement criteria of Accounting Standards and interpretations. Accounting Standards include Australian equivalents to International Financial Reporting Standards.

BASIS OF PREPARATION

The Appendix 4E has been prepared on the basis of historical cost. The accounting policies and methods of computation adopted in the preparation of the Appendix 4E are consistent with those adopted and disclosed in the Group's 30 June 2020 annual financial report.

2. REVENUE

The following is an analysis of the Group's revenue

| | Group Year Ending | |
|------------------------|----------------------|------------|
| | 30/06/2021 | 30/06/2020 |
| | \$ | \$ |
| Schools sales | 2,245,288 | 2,740,975 |
| SPACETALK sales | 12,686,980 | 7,672,471 |
| Grants received | 15,300 | - |
| Other SPACETALK income | 64,503 | 31,309 |
| Sundry income | 109,502 | 41,763 |
| Total sales revenue | 15,121,573 | 10,486,518 |

Other SPACETALK income relates to repairs, refurbished sales and shipping charges.

3. INCOME TAX

| | Group Year Ending | |
|--|----------------------|-------------|
| | 30/06/2021 | 30/06/2020 |
| Income tax benefit | \$ | \$ |
| The income tax benefit for the year can be reconciled to the accounting profit or loss as follows: | | |
| (Loss)/profit for the year | (2,435,719) | (5,271,345) |
| Prima facie tax benefit at 26% (2020: 27.5%) | (633,287) | (1,449,620) |
| Non-deductible items | | |
| Other | 43,329 | 678,179 |
| Research and development tax offset | (173,167) | (239,304) |
| Adjustments recognised in the current year in relation to the current tax of prior year | - | 4,852 |
| Adjustments recognised in the current year in relation to the deferred tax of prior year | 56,319 | - |
| Adjustments recognised in the current year in relation to change in tax rates | 51,235 | |
| | (655,571) | (1,005,893) |

4. EARNINGS PER SHARE

| | Group Year Ending | |
|--|----------------------|------------|
| | 30/06/2021 | 30/06/2020 |
| | \$ | \$ |
| Basic earnings per share | | |
| Total basic earnings per share (cents per share) | (1.09) | (3.10) |
| Diluted earnings per share | | |
| Total diluted earnings per share (cents per share) | (1.03) | (3.03) |

4.1 BASIC EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per shares are as follows:

| | | |
|---|-------------|-------------|
| Net(loss)/profit for the year attributable to owners of the Company | (1,780,147) | (4,265,452) |
| Earnings used in the calculation of total basic earnings per share | (1,780,147) | (4,265,452) |
| Weighted average number of ordinary shares for the purpose of basic earnings per share (all measures) | 163,699,515 | 137,595,734 |

4.2 DILUTED EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per shares are as follows:

| | | |
|---|-------------|-------------|
| Net(loss)/profit for the year attributable to owners of the Company | (1,780,147) | (4,265,452) |
| Earnings used in the calculation of total diluted earnings per share | (1,780,147) | (4,265,452) |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share (all measures) | 175,454,882 | 140,706,043 |

5. CASH & CASH EQUIVALENT

For the purpose of the statement of cash flows, cash and cash equivalent include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash & cash equivalents at the end of the reporting period as shown in the statement of cash flows cash be reconciled to the related items in the statement of financial position as follows:

| | Group Year Ending | |
|------------------------|----------------------|------------|
| | 30/06/2021 | 30/06/2020 |
| | \$ | \$ |
| Cash and bank balances | 4,185,033 | 3,165,125 |

6. TRADE AND OTHER RECEIVABLES

| | Group Year Ending | |
|-------------------|----------------------|------------|
| | 30/06/2021 | 30/06/2020 |
| | \$ | \$ |
| Trade receivables | 2,287,874 | 1,139,911 |
| Loss allowance | (69,048) | (90,331) |
| | 2,218,826 | 1,049,580 |

7. OTHER CURRENT ASSETS

| | Group Year Ending | |
|-----------------------|----------------------|------------|
| | 30/06/2021 | 30/06/2020 |
| | \$ | \$ |
| R&D tax incentives | 517,380 | 650,612 |
| Prepayments | 1,224,146 | 410,954 |
| Loan commitment asset | 1,033,319 | - |
| | 2,774,845 | 1,061,566 |

8. PARENT ENTITY INVESTMENTS

| Unlisted controlled entity | Date of acquisition | Country of incorporation | Class of shares | Cost of Parent Entity's Investment | Cost of Parent Entity's Investment |
|-------------------------------|---------------------|--------------------------|-----------------|------------------------------------|------------------------------------|
| | | | | 30/06/2021 | 30/06/2020 |
| | | | | \$ | \$ |
| MGM Wireless Holdings Pty Ltd | 08/10/2003 | Australia | Ordinary | 767,000 | 767,000 |
| Message You LLC | 11/09/2006 | USA | Ordinary | 124,440 | 124,440 |
| MGM Wireless (NZ) Pty Ltd | 18/05/2010 | Australia | Ordinary | 80 | 80 |
| Spacetalkwatch UK Ltd | 25/02/2019 | United Kingdom | Ordinary | 186 | 1 |
| Spacetalk Holdings Pty Ltd | 29/06/2015 | Australia | Ordinary | 1 | 1 |
| Spacetalk Inc | 29/04/2021 | USA | Ordinary | 1,340 | - |
| Spacetalk LLC | 29/04/2021 | USA | Ordinary | 1,340 | - |
| Spacetalk USA Pty Ltd | 29/06/2015 | Australia | Ordinary | 100 | - |
| | | | | 894,487 | 891,522 |

9. PLANT, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

| | Plant and equipment | Leasehold improvements | Total |
|--|---------------------|------------------------|-----------|
| | \$ | \$ | \$ |
| Cost | | | |
| Balance as at 30 June 2019 | 377,950 | 208,499 | 586,449 |
| Additions | 36,377 | 3,480 | 39,857 |
| Balance as at 30 June 2020 | 414,327 | 211,979 | 626,306 |
| Additions | 52,515 | 1,364 | 53,879 |
| Balance as at 30 June 2021 | 466,842 | 213,343 | 680,185 |
| Accumulated depreciation and impairment | | | |
| Balance as at 30 June 2019 | (286,278) | (112,188) | (398,466) |
| Depreciation | (30,113) | (14,996) | (45,109) |
| Balance as at 30 June 2020 | (316,391) | (127,184) | (443,575) |
| Depreciation | (22,188) | (8,511) | (30,699) |
| Balance as at 30 June 2021 | (338,579) | (135,695) | (474,274) |
| Written down value at 30 June 2020 | 97,936 | 84,795 | 182,731 |
| Written down value at 30 June 2021 | 128,263 | 77,648 | 205,911 |

10. INTANGIBLE ASSETS

| | Group Year Ending | |
|---|----------------------------|--------------------------------------|
| | 30/06/2021 | 30/06/2020 |
| | \$ | \$ |
| At cost | 17,951,941 | 14,954,301 |
| Accumulated amortisation and impairment | (14,010,721) | (11,241,297) |
| Carrying value | 3,941,220 | 3,713,004 |
| | Distribution Rights | Capitalised Development Costs |
| Cost | \$ | \$ |
| Balance as at 30 June 2019 | 441,017 | 11,409,231 |
| Additions from internal developments | - | 3,104,053 |
| Balance as at 30 June 2020 | 441,017 | 14,513,284 |
| Additions from internal developments | - | 2,997,640 |
| Balance as at 30 June 2021 | 441,017 | 17,510,924 |
| Accumulated amortisation and impairment | | |
| Balance as at 30 June 2019 | (264,607) | (8,799,100) |
| Amortisation | (44,100) | (2,133,490) |
| Balance as at 30 June 2020 | (308,707) | (10,932,590) |
| Amortisation | (44,100) | (2,725,324) |
| Balance as at 30 June 2021 | (352,807) | (13,657,914) |
| Carrying value at 30 June 2021 | 88,210 | 3,853,010 |

11. LEASES**11.1 RIGHT-OF-USE**

| | Building | Vehicle | Total |
|--|----------------|----------|----------------|
| Cost | \$ | \$ | \$ |
| Balance at 1 July 2019 | 262,904 | 33,176 | 296,080 |
| Additions | 73,912 | - | 73,912 |
| Balance at 30 June 2020 | 336,816 | 33,176 | 369,992 |
| Additions | 354,563 | - | 354,563 |
| Balance at 30 June 2021 | 691,379 | 33,176 | 724,555 |
| Accumulated amortisation and impairment | | | |
| Balance at 1 July 2019 | - | - | - |
| Amortisation | (211,668) | (24,213) | (235,881) |
| Balance at 30 June 2020 | (211,668) | (24,213) | (235,881) |
| Amortisation | (190,695) | (8,963) | (199,658) |
| Balance at 30 June 2021 | (402,363) | (33,176) | (435,539) |
| Carrying Value 30 June 2021 | 289,016 | - | 289,016 |

11.2 LEASE LIABILITIES

| | Group Year ending | |
|-------------------------|----------------------|----------------|
| | 30/6/2021 | 30/06/2020 |
| Maturity analysis | \$ | \$ |
| Less than one year | 197,578 | 137,295 |
| 1-5 years | 111,254 | - |
| | 308,832 | 137,295 |
| Less: unearned interest | (15,989) | (1,653) |
| | 292,843 | 135,642 |
| Analysed as: | | |
| Current | 183,539 | 135,642 |
| Non-current | 109,304 | - |
| Balance as at 30 June | 292,843 | 135,642 |

12. TRADE AND OTHER PAYABLES

| | Group Year Ending | |
|------------------------|----------------------|------------------|
| | 30/06/2021 | 30/06/2020 |
| | \$ | \$ |
| Trade payables | 1,744,968 | 1,598,784 |
| Indirect tax liability | 171,275 | 411,723 |
| Accrued SMS charges | 28,105 | 74,334 |
| | 1,944,348 | 2,084,841 |

13. SHARE CAPITAL

| | Group Year Ending | |
|--|----------------------|------------|
| | 30/6/2021 | 30/6/2020 |
| 13.1 ISSUED AND PAID UP CAPITAL | \$ | \$ |
| Ordinary shares, fully paid | 18,686,099 | 16,124,617 |
| (30 June 2021: 165,381,445, 30 June 2020: 141,750,051) | | |

| 13.2 FULLY PAID ORDINARY SHARES | Number of shares | Share capital |
|--|-------------------------|----------------------|
| | | \$ |
| Balance at 30 June 2020 | 141,750,051 | 16,124,617 |
| Share Purchase Plan | 23,256,425 | 2,469,394 |
| Shares issued on employee incentive rights vesting during the year | 285,000 | 88,530 |
| Share issued to contractor | 89,969 | 10,000 |
| Balance at 30 June 2021 | 165,381,445 | 18,679,541 |

During the year, the Company issued 285,000 ordinary shares under the employee incentive plan (2020: 88,530). 23,256,425 shares were issued pursuant to a share purchase plan and 89,969 shares were issued to a contractor as consideration for services provided.

14. RESERVES

| | Group Year Ending | |
|--------------------------------------|-----------------------------|---|
| | 30/06/2021 | 30/06/2020 |
| | \$ | \$ |
| Option issue reserve | 6,476,016 | 6,216,746 |
| Foreign currency translation reserve | (42,910) | (31,029) |
| | 6,433,106 | 6,185,717 |
| | Option issue reserve | Foreign currency translation reserve |
| | \$ | \$ |
| Balance as at 30 June 2019 | 3,756,515 | (26,544) |
| Options/rights issued | 2,460,231 | - |
| Currency translation differences | - | (4,485) |
| Balance as at 30 June 2020 | 6,216,746 | (31,029) |
| Options/rights issued | 259,270 | - |
| Currency translation differences | - | (11,881) |
| Balance as at 30 June 2021 | 6,476,016 | (42,910) |

NATURE AND PURPOSE OF RESERVE

The option issue reserve is used to accumulate amounts received on the issue of options and records items recognised as an expense on valuation of incentive based share options.

The foreign currency translation reserve is used to record exchange rate differences arising from the translation of the financial statements of foreign subsidiaries and is recognised directly in the Statement of Profit or Loss and Other Comprehensive Income before accumulation in this reserve.

15. BORROWINGS

| | Group Year Ending | |
|---------------------------------|----------------------|------------|
| | 30/06/2021 | 30/06/2020 |
| | \$ | \$ |
| Loan from Pure Asset Management | 1,538,125 | - |
| | 1,538,125 | - |

During the year, the Company entered into a facility agreement with Pure Asset Management Pty Ltd (Pure AM) for a total of \$5 million that is drawn in 2 tranches. The first tranche is \$3 million while the second tranche is \$2 million. The first tranche has been drawn and the second tranche is yet to be drawn. A loan commitment asset of \$1.03 million is recognised in relation to the potential draw down of the second loan. The loan commitment assets comprise of transaction costs, including cost of warrant issued to Pure AM, allocated between the first loan and the second loan.

As part of this facility, the Company has issued a warrant to Pure AM that can be exercised for a total of 11 million fully paid-up shares. The warrant can be exercised at any point of time within 48 months of the first drawdown. The warrants were issued at zero cost, so the fair value of the warrants is deducted from the loan from Pure AM (debt liability). These warrants are recognised at fair value using the Black Sholes model.

15. SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since 30 June 2021, which has significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.



Mark Fortunatow
Director

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