ASX Announcement

MGM Wireless Limited (ASX:MWR)

17 April 2019

MGM Wireless responds to smartwatch security threat reports with update on security audit of SPACETALK device

- Audit reasserts SPACETALK's position as leader in device security and privacy
- INTERPOL-accredited global cyber expert commends MGM's world-leading best practice security, encryption and authentication
- European GDPR email security best practice audit successfully completed
- New features increase privacy for separated couples with joint parental responsibility

MGM Wireless Limited (ASX:MWR) wishes to announce that a Cyber Security Audit of Children's Smart Watch Phones in the Australian market has found SPACETALK to be free from the security issues discovered in other devices.

The Company is responding to media reports[1] on 16 April 2019 regarding a smartwatch company that has come under fire for security vulnerabilities.

The audit – by Dr Matthew Sorell, an INTERPOL-accredited global cyber consultant and expert in Digital Forensics – provides compelling evidence that the SPACETALK all-in-one children's smartwatch, phone and GPS tracker is among the most secure and hacker-proof children's watches in the world.

The audit conducted by Dr Sorell includes the Australian-designed SPACETALK device and other devices used here and overseas.

MGM Wireless founder and Executive Chair Mark Fortunatow said that security had been embedded into every aspect of the SPACETALK device from the start, on the strong foundation of the Company's years of experience developing mobile communication technology for independent schools and education departments around Australia.

[1] https://www.smh.com.au/technology/i-would-never-buy-one-fears-raised-over-security-of-gps-tracking-smartwatch-for-kids-20190415-p51efh.html

https://www.bankinfosecurity.com/australian-child-tracking-smartwatch-vulnerable-to-hackers-a-12376

"We commandeered the talents of the world's top device security experts because we already knew that the child's safety had to be at the heart of our products," Mr Fortunatow said.

The report's author, Dr Matthew Sorell, is an academic member of the INTERPOL Digital Forensics Experts Group and digital investigations consultant to law enforcement agencies including SA Police and Victoria Police. He is also a Senior Lecturer at the University of Adelaide and Adjunct Professor of Digital Forensics at the Tallinn University of Technology in Estonia, focused on criminal investigations related to wearable devices.

Dr Sorell said that he had found potential security breaches in all the models reviewed except SPACETALK – and that the severity of these breaches fell into the category of "notifiable"[2] to federal authorities.

"We released our first report in 2018, in which we commended MGM's engineering team for world-leading best practice security, encryption and authentication," Dr Sorell said.

"Research students under my supervision in three countries have continued with the audit whenever there have been software, hardware or even related societal changes that could impact on device security and child safety."

Dr Sorell said that watch manufacturers would be well aware of the security flaws yet had done little to address them since the first audit.

"The Norwegian Consumer Council published a report identifying serious privacy and security flaws in four GPS-enabled watches for children[3] as far back as 2017," he said. "I am surprised some of these watches are still on the market.

"In our audits, we take into account both the technology and the social context in which the devices are being used. For example, the SPACETALK watch incorporates a new feature to address shared childcare responsibility for separated parents. Both parents can have unique access to the same device without infringing the other's privacy."

Mr Fortunatow added that all technology providers have a duty of care.

"Some manufacturers may think security features are a 'nice to have' because they prepare parents for something that might never happen," he said, "but we have always taken the view that when you're dealing with children or students, their safety, security and well-being are paramount."

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[2] Entities have data breach notification obligations when a data breach is likely to result in serious harm to any individuals whose personal information is involved in the breach.

[3] https://www.mnemonic.no/news/2017/watchout/

About the Report

Dr Sorell conducted a review of SPACETALK's technical security mechanisms and compliance with policy and regulations in the Australian market, encompassing informed consent, legal requirements for retaining customer records, and measures required to secure private information.

The report benchmarked the SPACETALK Watch and some competitive products. It concluded that SPACETALK is unique among children's smartwatches in the Australian market in that it meets all current international privacy and security legislation and policies.

The report covered:

- Opportunistic technical hacking
- Targeted technical hacking
- The rights of the child to privacy and self-determination and how this fits with parental rights and responsibilities
- Why do children go missing?
- Beyond the nuclear family: helicopter parenting in the age of the blended family
- Unsafe contact scenarios: stalking, domestic violence and parental conflict
- Reporting a missing person – interaction with law enforcement
- Responding to warrants and orders
- Data retention and reporting responsibilities

The report concludes:

- The SPACETALK and AllMyTribe ecosystem uses best practice security for authenticated and encrypted communications between subsystems, and best practice identity authentication.
- Technical security of the SPACETALK Watch and the AllMyTribe ecosystem is implemented well and is appropriate for purpose.
- The ecosystem has been further enhanced to meet with the most stringent European privacy requirements and GDPR.

"Overall, the technical security and privacy measures implemented in the SPACETALK ecosystem exceed contemporary levels of security appropriate today, as well as providing some breathing space for future development," Dr Sorell said.

Dr Sorell points out that no IT system is entirely immune to a sufficiently determined attacker. A properly configured security framework is multi-layered, incorporating best practice defences; monitoring and notifications; proactive means for staying informed about emerging security threats; effective mechanisms for users to report bugs and issues; and a timely, open and public discussion about security and privacy product developments.

"It is evident that MGM Wireless designed with the highest levels of data security and privacy from the ground up," he said. "In addition, they promptly address every issue that could occur now or in future in our ever-changing security threat landscape."

An extracted public summary of Dr Sorell's report is available for media use.

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ABOUT MGM Wireless

MGM Wireless Limited is a technology company designing, developing and commercialising smartphone+watch wearables devices for children, and software for school communication and student absence management. The Company's AllMyTribe division has developed a children's all-in-one smartphone, watch and GPS device called SPACETALK, which allows two-way 3G phone calls and SMS messaging to a parent-controlled list of contacts. Other features include GPS tracking to alert parents whenever children leave designated safe spaces, such as school or the home.

Importantly – a key safety feature of SPACETALK is that it doesn't give children access to social media, apps, open internet, YouTube or other such services dangerous to young children.

MGM Wireless built its track record with school communication solutions after discovering in 2002 the application of SMS communication in schools. The Company went on to create the world's first SMS based Automated Student Absence Notification Solution and many other innovations since then. It is recognised as a global leader and pioneer in socially responsible and technology-enabled school communication.

MGM Wireless products include student absence notifications 'messageyou', absence analytics software 'Watchlists', school news and messaging app 'School Star', a content management and messaging platform for mobile school communication called Outreach+, and student attendance management solution 'RollMarker'.

Used by over 1400 schools and 1.7 million parents, the Company's school communication solutions empower schools to effectively communicate and engage parents and caregivers through SMS, mobile in-app and other means to improve student attendance and safety, help schools reduce operating costs and increase parent engagement. To learn more please visit: www.mgmwireless.com

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