

Appendix 4D

Half-Year Report 31 December 2020

SPACETALK LTD

ABN 93 091 351 530

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Half-Year Report

31 December 2020

(Previous corresponding period: 31 December 2019)

Results for announcement to the market

	Percentage change from corresponding period	Amount change from corresponding period	6 months ended 31/12/2020
Financial Results	**%**	**$**	**$**
Revenue from ordinary activities	9%	649,274	8,250,907
Loss from ordinary activities after tax attributable to members	77%	2,082,982	(622,441)
Net loss for the period attributable to members	77%	2,082,982	(622,441)

Dividends declared	**Amount per security**	**Franked amount per security**
Interim Dividend	Nil	Nil
Final Dividend	Nil	Nil

No dividends have been declared

Record date for determining entitlements to the interim dividends	N/A	N/A
Record date for determining entitlements to the final dividends	N/A	N/A

Net Tangible Asset Backing	**31 December 2020 (cents per share)**	**31 December 2019 (cents per share)**
Net tangible asset backing per ordinary security	5.19	7.95

Other explanatory notes

N/A

Control gained or lost over entities during the period	
Name of entity	N/A
Date of gaining/losing control	N/A
Dividends or distributions paid to shareholders	N/A
Dividends or distributions reinvestment plan details	N/A
Joint venture and associate details	N/A

2021

SPACETALK LTD

Half-Year Report

31 December 2020

SPACETALK



2021 Half-Year Report

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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

Directors' Report

The Directors of Spacetalk Ltd ('Spacetalk,' 'Company' or 'Group') present their report together with the financial statements of the consolidated entity, being Spacetalk and its controlled entities ('the Group') for the half year ended 31 December 2020 ('H1 FY21').

DIRECTOR'S DETAILS

The following persons were Directors of Spacetalk during and since the end of H1 FY21:

Mr Mark Fortunatow	Executive Chairman and CEO
Mr Martin Pretty	Non-Executive Director
Dr Brandon Gien	Non-Executive Director
Ms Leila Henderson	Non-Executive Director (ceased 31 October 2020)
Mr Glen Butler	Non-Executive Director (ceased 31 October 2020)

All Directors, with the exception of Ms Leila Henderson and Mr Glen Butler, have been in office since the start of the financial year to the date of this report.

Review of operations and financial results

OPERATING HIGHLIGHTS

- Company name changed to Spacetalk Ltd from MGM Wireless Limited, to unify and simplify corporate, product and marketing communication. Spacetalk Wearables division has grown to be more than three times the size of the Schools division, and represents the immediate and largest busines opportunity for the Company
- 2 new devices brought to market - the next-generation Adventurer for kids and Life for seniors. Adventurer is the market's leading connected kids wearable device in Australia and New Zealand ('ANZ'). Life is creating a whole new category in seniors wearables; with discussions for expanded distribution to B2B2C seeing strong interest from aged care and home care providers
- Increase in store-front ranging from 777 to 1,120 bricks-and-mortar stores globally, with tier-1 retailers staging Spacetalk's product suite across their national footprints
- New Spacetalk App - complete new-build, featuring group Family Chat with pictures and video, advanced health and fitness, and enhanced parent controls
- Commenced selling with Vodafone on monthly plans. Onboarding post exhaustive device testing and certification by Vodafone. Efforts over the half centred on investing in marketing and training, with sales ramping up
- In the UK, onboarded a new Country Head, launched on Amazon UK, and progressing advanced discussions for a launch with bricks and mortar retailers and with new leading Mobile Network Operators ('MNO')
- Advanced go-to-market and partner planning for USA launch
- Post H1 FY21, unit sales in the first 5 weeks of Q3 FY21 up 44% on the whole of Q3 FY20

FINANCIAL HIGHLIGHTS

A summary of the Group's financial highlights from operations for H1 FY21 and the prior corresponding six-month period ('H1 FY20') is set out below.

	Half year ended 31 Dec 2020 $'000	Half year ended 31 Dec 2019 $'000	Percentage Change
Total Revenue	8.25	7.60	+9%
Wearables Revenue	7.14	6.34	+13%
- Devices	6.26	5.83	+7%
- Apps	0.88	0.50	+76%
- ARR	2.30	1.31	+76%
Schools Revenue	0.98	1.26	-22%
EBITDA	0.61	0.45	+36%
Net Loss	(0.62)	(2.70)	-77%
Net Cash/(Debt)	1.60	3.29	-51%

All growth rates in this section refer to the change from numbers reported in H1 FY20 (also known as the prior corresponding period ('pcp')).

- Highest ever half of Group revenue of $8.25 million (+9%) despite COVID-19, with lockdowns, sharply lower consumer confidence and household austerity being evidenced in reduced shopping intent across all categories except groceries
- Wearables division revenue increased 13% to $7.1 million, with device revenue up to $6.3 million from $5.8 million, App revenue up 76% to $0.9 million, App ARR up 76% to $2.3 million, and CAC down 43% to $28
- Highest ever quarter of Spacetalk device sales through the 2020 Christmas period (Q2 FY21) is expected to lead to materially increased App user adoption through 2021
- Schools business remains a stable and steady business, with good margins and strong positive cash flow. Reduced revenue for the half reflected a change in date of the annual billing cycle of a software license fee relating to a large State Government education department contract
- EBITDA of $0.6 million, up 36%
- Net loss after tax of $0.6 million, an improvement of 77%
- Cash balance at year end was $1.6 million, with the Company debt free

WEARABLES DIVISION - MULTI-PRODUCT, REVENUE GROWTH, CHANNEL EXPANSION

DEVICES SALES

Despite the unprecedented and challenging circumstances brought on by COVID-19, the Group recorded its best ever half of revenue of $8.25 million (+9%), largely attributable to the continuing strong sales of the Spacetalk Wearables division of $7.1 million (+13%), with device revenue up to $6.3 million from $5.8 million, App revenue up 76% to $0.9 million, App ARR also up 76% to $2.3 million, and Customer Acquisition Costs ("CAC") down 43% to $28. Bricks-and-mortar distribution expanded from 777 to 1,120 stores globally, with selected tier-1 retailers ranging Spacetalk products across their national footprints.

It is the first half in the Company's history that more than one Spacetalk device was offered in the same category - the original Kids and Adventurer devices - with Spacetalk Life creating a new category of seniors connected wearables..

Bricks-and-mortar distribution expanded from 777 to 1,120 stores globally, with selected tier-1 retailers ranging Spacetalk products across their national footprints. It is the first half in the Company's history that more than one Spacetalk device was offered in the same category - the original Kids and Adventurer devices - with Spacetalk Life creating a new category of seniors connected wearables.

In December 2020, the Company launched Spacetalk Adventurer - our ground-breaking 4G all-in-one smartphone watch and GPS device for kids aged 5-12. Fun, fashionable, safe and technologically advanced, Spacetalk Adventurer is a totally new design build and technology platform, with exciting new features that deliver confidence for the child, enhanced controls for the parent, and new functionalities for the family to stay connected. In its first two weeks of sales and prior to the commencement of advertising campaigns, Spacetalk Adventurer sales exceeded Spacetalk Kids unit sales, with revenue contribution of 18% of all device sales for the half (versus 77% for Spacetalk Kids and 5% for Spacetalk Life).

Leading into the launch of Adventurer, the Company strategically repositioned the original Kids devices at a lower recommended retail price to engage mass-market appeal and to differentiate its value proposition from the next generation Adventurer. The strategy of selling at the reduced price point delivered a strong uplift in the original Kids device unit sales, a net revenue uplift and further consolidated our reach and brand. Adventurer is the market's leading connected kids wearable device in ANZ, and we expect this trajectory of sales to continue to deliver strong sales growth and record revenue results going forward.

In Australia and New Zealand ("ANZ") revenue grew by 17% to $5.3 million, continuing to cement Spacetalk devices' market leading position amongst ANZ consumers. Spacetalk began ranging through Harvey Norman Australia's 120 retail stores, adding to our presence in ANZ at JB Hi-Fi, Officeworks, the Good Guys, Dick Smith, at Vodafone stores selling Spacetalk on monthly plans, and online with our Company e-commerce store and Kogan. Confidence from new and existing retail and Mobile Network Operator ("MNO") partners to range our products contributed to $5.35 million of sales, with the Company's e-commerce site contributing $0.95 million.

The half ended with the most successful Christmas sales period in the Company's history, with record sales during Black Friday, Cyber Monday and right through Christmas driven in large part by the substantial promotions funded by our retail partners in recognition of the increased brand equity of Spacetalk with consumers.

NEW SPACETALK APP

Annual recurring revenue (ARR or monthly Spacetalk App subscription revenue) continues to grow extremely strongly, up 76% to $2.3 million.

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. Spacetalk App subscriptions grew a record c.$202,000 in January 2021, up 6% from December 2020.

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 drive a circular and viral network effect for new customer adoption.

Spacetalk Family Chat is similar to WhatsApp messaging but with significant improvement, enabling young kids to use their Spacetalk devices to engage in group chat with family and friends, but in a highly secure, parent contact controlled and supervised manner.

Using the Spacetalk App, Parents control the contacts their kids chat with, and can monitor the conversation, all whilst their kids are having fun messaging, sharing pictures and videos with their friends and extended family members.

A circular network affect is created as family and friends need to download the Spacetalk App to participate in Family Chats, which increases users in the Spacetalk ecosystem, that in turn grows brand awareness and the ability to acquire new users of Spacetalk devices.

SCHOOLS BUSINESS - STABLE AND STEADY

The Schools business revenue was $1.0 million, down 22%, reflecting a change in date of the annual billing cycle of a software license fee relating to a large State Government education department contract, from the first half to H2 FY21.

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

GROUP – STRONG TOP-LINE GROWTH, OPEX DISCIPLINE AND CAPITAL MANAGEMENT

Record Group revenue of $8.25 million (+9%), gross margin of 54% and lower operating costs of $3.8 million (-17%) contributed to a healthy EBITDA of $0.61 million, an increase of 36%.

Gross profit of $4.45 million (-13%) was impacted by repositioning the original Spacetalk Kids device at a lower price point on the launch of Adventurer, deferred revenue of the Schools business to H2 FY21 and, to lesser extent, higher cost of goods sold ("COGS") for Adventurer.

Corporate and administrative expenses fell to $1.4 million from $2.1 million, including lower shipping costs, product warrantees, travel, consulting fees and commissions.

Advertising costs decreased to $0.95 million from $1.2 million, with a greater share of advertising and promotion undertaken by partners. These included promotions over the most important shopping days leading up to Christmas and television advertising in Australia and the UK.

The Group received the Government's JobKeeper wage subsidy for qualifying Australian businesses amounting to $499,500 and Cashflow Boost of $100,000. JobKeeper is reported as a reduction to the associated employee costs and the Cashflow Boost is recognised as revenue in the Consolidated statement of Profit and Loss, and Comprehensive Income.

Employee costs were flat at $1.4 million. The Company significantly strengthened the management team, with senior appointments in marketing and sales, in ANZ and the UK, and hires across sales, marketing and product development management. At 31 December 2020, the Company employed 43 staff in ANZ and 5 in the UK.

Significant once-off non-cash expenses included options and share issue costs of $0.1 million, down from $2.4 million, and depreciation and amortisation of $1.3 million, up from $1.2 million.

In July 2020, the Company undertook a $2.5m Share Purchase Plan ("SPP"). In excess of $5m applications were received, exceeding the original target of $1.5m by 236%. Capital raised through the SPP was used for inventory build, development of Adventurer and working capital.

At 31 December 2020 the Group held cash of $1.6 million, with positive working capital of $5.6 million (up $1.6 million from 30 June 2020), including a low inventory value of $184,447, $1.4 million in prepayments of outstanding inventory, an R&D tax incentive of $0.6 million and $4.0 million in receivables (net of a loss allowance of $623,188 predominately for rebate provisions and discounts). The Company has no drawn debt.

TRADING UPDATE

H2 FY21 has started strong, with unit sales in the first 5 weeks of Q3 FY21 up 44% on the whole of Q3 FY20. Adventurer is the market's leading connected kids wearable device. The Company is in advanced conversations with aged care and home care providers in relation to Spacetalk Life, as we look to expand distribution using a B2B2C model. The Company's highest ever quarter of Spacetalk device sales through the 2020 Christmas period (Q2 FY21) is expected to lead to material increase in App user adoption through H2 FY21. In the UK, the Company is in advanced dialogues for our bricks and mortar retail launch, and with MNOs, led by the Company's new UK Country Head. Finally, Spacetalk's launch in the USA remains on track, with an exciting go-to-market planned.

The Company is committed to the following objectives -

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
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 App and leveraging the ecosystem's network effect to enhance user engagement and grow both device sales and ARR
4. Focusing on our global market penetration, in the UK with our new Country Head progressing a bricks and mortar launch as well as onboarding new MNOs, and in the USA with an exciting go-to-market planned for CY21
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

CHANGES IN THE STATE OF AFFAIRS

During the half year ended 31 December 2020 there was no significant change in the Group's state of affairs other than that referred to in the half-year financial statement or notes thereto.

DIVIDENDS

No Dividends have been declared during the half year ended 31 December 2020 (2019 half-year: $nil).

No Dividends relating to the year ended 30 June 2020 were paid during the half year ended 31 December 2020 (2019 half-year: $nil).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half-year report ended 31 December 2020 has been received and is included on page 8. Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



MARK FORTUNATOW
EXECUTIVE CHAIRMAN

Rose Park, 16 February 2021.

Auditor's Independence Declaration

Ian G McDonald FCA

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

Auditor's Independence Declaration

To the Directors of Spacetalk Ltd

As lead auditor for the review of the financial report of Spacetalk Limited for the half year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

i. the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
ii. any applicable code of professional conduct in relation to the review.

Ian G McDonald FCA
Chartered Accountant

Dated in Adelaide on 15 February 2021

Independent Auditor's Report

Ian G McDonald FCA

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

Independent Auditor's Review Report
To the Directors of Spacetalk Ltd

Report on the Half-Year Financial Report
We have reviewed the accompanying half year consolidated financial report of Spacetalk Ltd ('the company'), which comprises the condensed balance sheet as at 31 December 2020, condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, notes to the financial statements, other selected explanatory notes and the directors' declaration.

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes me believe that the half-year consolidated financial report of Spacetalk Ltd is not in accordance with the Corporations Act 2001 including:

a. giving a true and fair view of the company's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
b. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' Responsibility for the Half-Year Financial Report
The Directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, We have become aware of any matter that makes me believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the company, ASRE 2410 requires that We comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence
In conducting the review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of the company on the 15 February 2021, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Ian G McDonald FCA
Chartered Accountant
Dated in Adelaide on 15 February 2021

Directors' Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors,



MARK FORTUNATOW
EXECUTIVE CHAIRMAN

Rose Park

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2020

		Consolidated Group Half- Year Ended	
	Notes	31/12/2020	31/12/2019
		$	$
Revenue		**8,250,907**	7,601,633
Cost of sales		**(3,804,707)**	(2,496,606)
Gross Profit		**4,446,200**	5,105,027
Interest expense		**(2,024)**	(49,991)
Amortisation & depreciation		**(1,337,641)**	(1,171,691)
Issue of options	4	**(110,752)**	(2,389,964)
Corporate and administration		**(1,437,205)**	(2,068,867)
Advertising and marketing		**(948,333)**	(1,209,553)
Employee costs		**(1,432,004)**	(1,430,516)
(Loss)/ Gain on foreign exchange		**(14,876)**	58,100
Loss before tax		**(836,635)**	(3,157,455)
Income tax benefit		**214,194**	452,032
Net loss for the period attributable to owners of the Company		**(622,441)**	(2,705,423)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(10,880)**	4,030
Other comprehensive income for the period (net of tax)		**(10,880)**	4,030
Total comprehensive income for the period attributable to owners of the Company		**(633,321)**	(2,701,393)
Earnings per share			
Basic (cents per share)		**(2.73)**	(2.1)
Diluted (cents per share)		**(1.82)**	(2.0)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the attached notes.

Consolidated statement of financial position as at 31 December 2020

		Consolidated Group	
		As at	
	Notes	31/12/2020	30/06/2020
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents		**1,607,472**	3,165,125
Trade and other receivables	6	**4,036,554**	1,049,580
Inventories		**184,447**	977,851
Other current assets		**2,561,138**	1,061,566
Total Current Assets		**8,389,611**	6,254,122
Non-Current Assets			
Property, plant and equipment		**187,805**	182,731
Intangibles	7	**4,032,536**	3,713,004
Right-of-use assets	8	**15,450**	134,111
Deferred tax assets		**458,488**	458,488
Total Non-Current Assets		**4,694,279**	4,488,334
Total Assets		**13,083,890**	10,742,456
LIABILITIES			
Current Liabilities			
Trade and other payables		**2,251,381**	2,084,841
Provision		**402,919**	208,790
Lease liabilities	8	**16,036**	135,642
Income tax liabilities		**163,170**	-
Total Current Liabilities		**2,833,506**	2,429,273
Non-Current Liabilities			
Lease liabilities		**-**	-
Deferred Tax Liabilities		**-**	-
Total Non-Current Liabilities		**-**	-
Total Liabilities		**2,833,507**	2,429,273
Net Assets		**10,250,383**	8,313,183
EQUITY			
Issued capital	3	**18,648,386**	16,124,617
Reserves		**6,221,589**	6,185,717
Accumulated losses		**(14,619,592)**	(13,997,151)
Total Equity		**10,250,383**	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 for the half-year ended 31 December 2020

	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	-	(2,705,423)	-	-	(2,705,423)
Currency translation differences	-	-	-	4,030	4,030
Total comprehensive income	-	(2,705,423)	-	4,030	(2,701,393)
Transaction with owners Contributions and distributions					
Shares issued	5,563,525	-	-	-	5,563,525
Options exercised	14,000	-	-	-	14,000
Cost of share issued	(378,370)	-	-	-	(378,370)
Options/rights issued	1,870	-	2,388,094	-	2,389,964
Transactions with owners	5,201,025	-	2,388,094	-	7,589,119
At 31 December 2019	**16,007,751**	**(12,437,122)**	**6,144,609**	**(22,514)**	**9,692,724**
At 1 July 2020	**16,124,617**	**(13,997,151)**	**6,216,746**	**(31,029)**	**8,313,183**
Loss attributable to members	-	(622,441)	-	-	(622,441)
Currency translation differences	-	-	-	(10,880)	(10,880)
Total comprehensive income	-	(622,441)	-	(10,880)	(633,321)
Transaction with owners Contributions and distributions					
Share issued	2,505,047	-	-	-	2,505,047
Options exercised	-	-	-	-	-
Cost of share issued	(35,278)	-	-	-	(35,278)
Options/rights issued	54,000	-	46,752	-	100,752
Transactions with owners	2,523,769	-	46,752	-	2,570,521
At 31 December 2020	**18,648,386**	**(14,619,592)**	**6,263,498**	**(41,909)**	**10,250,383**

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

Consolidated statement of cash flows for the half-year ended 31 December 2020

	Consolidated Group Half-Year Ended	
	31/12/2020	**31/12/2019**
	$	**$**
Cash flows from operating activities		
Receipts from customers	**4,041,723**	4,315,464
Payments to suppliers and employees	**(6,982,551)**	(5,640,717)
Tax benefits	**-**	532,018
Interest and other costs of finance	**(2,024)**	(49,991)
Government subsidies	**599,500**	-
Net cash provided by operating activities	**(2,343,352)**	(843,226)
Cash flows from investing activities		
Payments for plant and equipment	**(17,567)**	(33,450)
Payment for research and development	**(1,526,018)**	(1,264,286)
Net cash (used in)/provided by investing activities	**(1,543,585)**	(1,297,736)
Cash flows from financing activities		
Proceeds from issue of shares	**2,495,047**	5,500,003
Share issue costs	**(35,278)**	(378,371)
Options issued	**-**	14,000
Issue of convertible note	**-**	500,000
Payment of lease liabilities	**(119,605)**	(94,458)
Net cash (used in)/provided by financing activities	**2,340,164**	5,541,174
Net increase / decrease in cash held	**(1,546,773)**	3,400,212
Cash and cash equivalents at 1 July	**3,165,125**	1,635,872
Effect of exchange rate changes	**(10,880)**	4,030
Cash at the end of the year	**1,607,472**	5,040,114

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

Notes to the Consolidated financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 STATEMENT OF COMPLIANCE

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

1.2 BASIS OF PREPARATION

The Consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2020 annual financial report for the financial year ended 30 June 2020 except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

With effect from 12 November 2020, the name of the Company changed from MGM Wireless Limited to Spacetalk Ltd

1.3 AMENDMENTS TO ACCOUNTING STANDARDS AND NEW INTERPRETATIONS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT REPORTING PERIOD

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and interpretations effective for the current year that are relevant to the Group are:

Reference	Title
AASB 2018-6	Amendments to Australian Accounting Standards - Definition of Business

Reference	Title
AASB 2018-7	Amendments to Australian Accounting Standards - Definition of Material
AASB 2019-1	Amendments to Australian Accounting Standards - Reference to the Conceptual Framework
AASB 2019-5	Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
AASB 2020-4	Amendments to Australian Accounting Standards - COVID-19 Related Rent Concessions

The adoption of the amendments are not expected to have any material impact on the Group's financial position or its performance.

1.4 NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS AND INTERPRETATIONS ON ISSUE BUT NOT YET EFFECTIVE

The following relevant accounting standards have recently been issued or amended but are not yet effective and have not been adopted for this half year reporting period.

Reference	Title	Application
AASB 2014-10	Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an investor and its Associate or Joint Venture	1 January 2022
AASB 2015-10	Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128	1 January 2022
AASB 2020-1	Amendments to Australian Accounting Standards - Classification of Liabilities as Current and Non-Current	1 January 2022
AASB 2020-6	Amendments to Australian Accounting Standards - Classification of Liabilities as Current and Non-Current - Deferral of Effective Date	1 January 2022
AASB 2020-3	Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments	1 January 2022

These amendments are not expected to have a material impact on the Group's financial position or its performance.

1.5 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2020. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

2. SEGMENT INFORMATION

2.1 PRODUCTS AND SERVICES FROM WHICH REPORTABLE SEGMENTS DERIVE THEIR REVENUES

The Group operates predominately in three business segments, defined by the Group's different product and service offerings.

The groups reportable segments under AASB 8 are therefore as follows:

- School messaging services
- Smart watches and apps
- Other

This is the basis by which management controls and reviews the operations of the Group. Segment results are routinely reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance on the same basis. No operating segments have been aggregated in arriving at the reportable segments of the group.

The school messaging reportable segment provides school messaging services and licence fees to various schools

The smart watches and apps reportable segment supplies the 'Spacetalk' smartwatches and applications through retail distribution networks and online sales.

'Other' is the aggregation of the Group's other various sundry income and expenses.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

No operations were discontinued during the current financial year.

2.2 SEGMENT REVENUES AND RESULTS

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment revenue		Segment profit / (loss)	
	Half Year Ended		Half Year Ended	
	31/12/2020	**31/12/2019**	**31/12/2020**	**31/12/2019**
School messaging services	**979,425**	1,235,686	**(1,104,818)**	(3,394,424)
Smart watches and apps	**7,140,268**	6,330,686	**482,377**	689,001
Other	**131,214**	35,261	**-**	-
Total for Continuing Operations	**8,250,907**	7,601,633		
Loss after tax (continuing operations)			**(622,441)**	(2,705,423)

Segment revenue reported above represents revenue generated from external customers by each service or product. There were no inter-segment sales in the current year (2019: nil).

2.3 SEGMENT ASSETS AND LIABILITIES

Segment assets and liabilities

	Assets		Liabilities	
	As at		As at	
	31/12/2020	**30/06/2020**	**31/12/2020**	**30/06/2020**
School messaging services	**6,971,733**	5,410,767	**1,416,580**	1,030,214
Smart watches and apps	**3,017,471**	1,616,203	**1,253,756**	940,571
Total segment assets/ liabilities	**9,989,204**	7,026,970	**2,670,336**	1,970,785
Unallocated assets/ liabilities	**3,094,686**	3,816,486	**163,170**	458,488
Consolidated Assets	**13,083,890**	10,843,456		
Consolidated Liabilities			**2,833,506**	2,429,273

For the purpose of monitoring segment performance and alloacating resources between segments:

- All assets are allocated to reportable segments other than cash and R&D incentives.
- All liabilities are allocated to reportable segments other than deferred tax liabilities, current tax liabilities and borrowings.

2.4 GEOGRAPHICAL INFORMATION

The Group's revenue from external customers by geographical location are detailed below:

Revenue by geography

	Year Ended	
	31/12/2020	**31/12/2019**
Australia	**7,260,116**	5,745,403
United Kingdom	**880,616**	1,223,467
New Zealand	**110,175**	632,763
Total	**8,250,907**	7,601,633

Revenues in Australia result from Schools messaging services and Spacetalk sales. Revenue from New Zealand results from the Group's preferred supplier status to New Zealand Government's Early Notification initiaitve and Spacetalk sales. All revenues in the United Kingdom relate to Spacetalkwatch sales.

3. ISSUES OF EQUITY SECURITIES

During the half-year the following fully paid ordinary shares were issued:

	Number of fully paid ordinary shares	**Issued Capital**
		$
Balance at 30 June 2020	**141,750,051**	16,124,617
Share Purchase Plan	**23,256,425**	2,495,047
Employee incentive rights vested	**180,000**	54,000
Shares issued to contractors	**89,969**	10,000
Cost of share issues		(35,278)
Balance at 31 December 2020	**165,276,445**	18,648,386

During the half-year, the company issued no ordinary shares under the share option plan (2019: 10,000). 89,969 shares were issued to contractors as consideration for services provided (2019: 12,000). 180,000 shares were issued under the employee incentive plan (2019: 50,000).

4. SHARE BASED PAYMENT

There were a number of employee rights granted during the half-year. No options were granted during the half-year. The valuation model inputs used to determine the fair value as at grant date were as follows:

Grant Date	Expiry Date	Share price at grant date	Exercise price	Expected volatility	Option life	Dividend yield	Fair value at grant date	Number of options	Vesting date
20/07/2020	1/08/2021	$0.12	$0.00	158.20%	1.03 Years	0.00%	$0.12	100,000	1/08/2021
1/12/2020	26/10/2021	$0.13	$0.00	167.30%	0.90 Years	0.00%	$0.13	150,000	26/10/2021
1/12/2020	26/10/2022	$0.13	$0.00	167.30%	1.90 Years	0.00%	$0.13	150,000	26/10/2022
11/09/2020	11/09/2021	$0.16	$0.00	162.40%	1.00 Years	0.00%	$0.16	60,000	11/09/2021
11/09/2020	11/09/2022	$0.16	$0.00	162.40%	2.00 Years	0.00%	$0.16	60,000	11/09/2022
11/09/2020	11/09/2023	$0.16	$0.00	162.40%	3.00 Years	0.00%	$0.16	60,000	11/09/2023
22/07/2020	11/07/2021	$0.32	$0.00	158.30%	1.97 Years	0.00%	$0.32	20,000	11/07/2021
10/07/2020	10/07/2021	$0.13	$0.00	157.90%	1.00 Years	0.00%	$0.13	29,500	10/07/2021
31/08/2020	31/08/2022	$0.15	$0.00	160.30%	2.00 Years	0.00%	$0.15	5,000	31/08/2022
2/12/2020	1/12/2023	$0.13	$0.00	167.30%	3.00 Years	0.00%	$0.13	5,000,000	1/12/2023
2/12/2020	1/12/2023	$0.13	$0.00	167.30%	3.00 Years	0.00%	$0.13	500,000	1/12/2023
2/12/2020	1/12/2023	$0.13	$0.00	167.30%	3.00 Years	0.00%	$0.13	500,000	1/12/2023

The above relate to employee remuneration expense, equity-settled share-based payment transactions which have been included in profit and loss and credited to share based payment reserve. (2019: 23,000 employee rights were granted).

5. DIVIDENDS

During the half-year, The Group made the following dividend payments:

	Half-year ended 31 December 2020		Half-year ended 31 December 2019	
	Cents Per Share	Total $	Cents Per Share	Total $
Fully paid ordinary shares				
Final dividend	-	-	-	-

There were no dividends reinvested in 2020 (2019: $nil).

6. TRADE AND OTHER RECEIVABLES

	Year Ended	
	31/12/2020	30/06/20
Trade receivables	4,310,608	1,020,452
Loss allowances	(623,188)	(90,331)
	3,687,420	930,121
Other receivables	349,134	119,459
	4,036,554	1,049,580

7. INTANGIBLE ASSETS

	Distribution Rights	Capitalised Development Costs	Total
Cost	**$**	**$**	**$**
Balance at 30 June 2019	441,017	11,409,231	**11,850,248**
Additions from internal developments	-	3,104,053	**3,104,053**
Balance at 30 June 2020	441,017	14,513,284	**14,954,301**
Additions from internal developments	-	1,526,018	**1,526,018**
Balance at 31 December 2020	441,017	16,039,302	**16,480,319**
Accumulated amortisation and impairment			
Balance at 30 June 2019	(264,607)	(8,799,100)	**(9,063,707)**
Amortisation	(44,100)	(2,133,490)	**(2,177,590)**
Balance at 30 June 2020	(308,707)	(10,932,590)	**(11,241,297)**
Amortisation	(22,050)	(1,184,436)	**(1,206,486)**
Balance at 31 December 2020	(330,757)	(12,117,026)	**(12,447,783)**
Carrying Value 31 December 2020	**110,260**	**3,922,276**	**4,032,536**

8. LEASES

8.1 RIGHT-OF-USE ASSET

	Building	Vehicle	Total
Cost	**$**	**$**	**$**
Balance at 1 July 2019	262,904	33,176	**296,080**
Additions	73,912	-	**73,912**
Balance at 30 June 2019	336,816	33,176	**369,992**
Additions	-	-	**-**
Balance at 31 December 2020	336,816	33,176	**369,992**
Accumulated amortisation and impairment			
Balance at 1 July 2019	-	-	**-**
Amortisation	(99,536)	(24,213)	**(235,881)**
Balance at 31 December 2019	(99,536)	(24,213)	**(235,881)**
Amortisation	(109,698)	(8,963)	**(118,661)**
Balance at 31December 2020	(209,234)	(33,176)	**(354,542)**
Carrying Value 31 December 2019	**15,450**	**-**	**15,450**

8.2 LEASE LIABILITIES

	Half-year ended
Maturity analysis	**$**
Less than one year	16,036
Analysed as:	
Current	16,036
Balance as at 31 December 2020	16,036

Included in interest expense in consolidated statement of profit or loss and other comprehensive income is interest on lease liabilities of $1,653.

9. GOVERNMENT GRANTS AND GOVERNMENT ASSISTANCE

The Group has benefited from the government support packages as a result of COVID-19 during the period.

Government grants and assistance are recognised where there is a reasonable assurance that the grant will be receivable and all attached conditions compiled with. When the grant relates to an expense item, it is recognised as a reduction of the expense to which it relates.

As outlined above, during the period, the Group received the Government wage subsidy for Australia known as JobKeeper amounting to $499,500 and Cashflow Boost of $100,000. The Group has reported the JobKeeper amount as a reduction to the associated employee costs and the Cashflow Boost was recognised as revenue in the Consolidated statement of profit or loss and comprehensive income.

10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

There are no financial instruments recognised at their fair value.

11. TRANSACTION WITH RELATED PARTIES

During the period $13,200 was paid to Good Design for consulting services (2019: nil). Good Design is a related entity of Brandon Gein

During the period $5,274 was paid to Equitable Investors for consulting services (2019: nil). Equitable Investors is a related entity of Martin Pretty

12. EVENTS AFTER REPORTING DATE

In February 2021, the leases for Suite 7, Suite 9 and Suite 13 at Rose Park were renewed for another two years ending 31 January 2023.

There was no other item, transaction or event of a material and unusual nature arising in the interval between 31 December 2020 and the date of this report that, in the opinion of the Directors of Spacetalk Ltd, to affect significantly the operations of the consolidated Group, the results of those operations, or the state of affairs of the consolidated Group, in future periods.

13. COMMITMENTS

There have been no changes to commitments since 30 June 2020 .