



Spacetalk Ltd.

ABN 93 091 351 530

2021 Annual General Meeting

DATE: 30 November 2021 | TIME: 11:30 am (AEDT)/11:00 am (ACDT)

Chairman's Address

SLIDE: CHAIRMAN'S ADDRESS

Good morning again fellow shareholders. I am Mark Fortunatow, your Executive Chairman and it is my pleasure to welcome you to our 2021 Annual General Meeting. I take this opportunity to also welcome any new shareholders who have joined us since our last General Meeting.

Today's meeting is again virtual, and we will later be seeking your vote to amend our Company Constitution to allow the Company the flexibility to hold future general meetings virtually or in a hybrid format, in addition to in-person.

The Directors would have liked to have met in person and shared a cup of tea with you, but in this early post-COVID period, travel remains challenging. We consider this format as working best currently.

Today's meeting comes at a pivotal time for the Company. Since we last met, Spacetalk has further expanded in the United Kingdom, and has also officially launched in the United States, Canada and the Nordic region.



Although our Nordic launch through Elisa and Elkjop only commenced in the last few weeks, the preliminary results are very promising. This is very exciting given the Nordic region has very high kids wearables awareness evidencing the opportunities before us.

SLIDE: ABOUT SPACETALK

For those recently joining as shareholders, welcome again

Spacetalk is a global technology provider of secure communication solutions for families to stay connected and protected. We enable families to feel safe and connected, so that they can live with support, independence and confidence. This defines our Purpose.

Our business includes both our pioneering Schools and Wearables divisions.

SLIDE: AFR FAST 100

It is quite pleasing to also note that Spacetalk made the AFR Fast 100 list announced yesterday. This is the AFR's list of the fastest growing companies in financial year 2021. Our position on this list, number 72, bears testament to our strategy, the commitment and quality of our people, the compelling proposition of our products and services and your ongoing support.

SLIDE: FY2021 FINANCIAL HIGHLIGHTS

The 2021 financial year was a strong year for the Company. We launched our Spacetalk Adventurer watch in November 2020. This provided a springboard for our global expansion to continue.

In the financial year ending June 2021, our revenues were \$15.1 million, a 44% increase over the prior comparable period.

SLIDE: FY2021 WEARABLES SUMMARY

For our wearables business, our revenues were \$12.7 million, a 65% increase over the prior comparable period. A remarkable progression from our launch 4 years ago when our Spacetalk business did not exist.



Since the end of the 2021 financial year, we also reported a 50% increase in first quarter revenue to \$4.0 million¹. Within this was also a 59% increase in our wearables revenue to \$3.6 million.

SLIDE: FY2021 + FY2022 YTD BUSINESS HIGHLIGHTS

Post balance date, we announced new distribution arrangements in North America with Amazon, Walmart and Best Buy, and in the Nordic region with network operator Elisa and mass market retailer Elkjop. We announced an enhancement of our distribution relationship with Big-W by expanding into 50 of their physical stores. This is very pleasing given that Big-W is one of Australia's largest department store chains.

Our online launch with Best Buy US has been delayed to the first half of calendar 2022 because we are currently working with them on a potential combined in-store and on-line launch. Notwithstanding, we sold our first Spacetalk watch in the US on 24 November 2021.

Our North America entry strategy is a soft launch to build awareness, pressure test our operational systems and to refine and optimise search algorithms. Based on our experiences in launching in other markets, this later effort can take some weeks or months to build momentum as it involves digital marketing, product reviews to establish credibility and awareness in the market, propagation of key word searches and public relations activities.

The financial impact of these distribution arrangements is currently unknown, with no guaranteed or minimum level of revenue. However, we expect them to have a direct positive impact on our revenues.

From our original foundation in Adelaide, Spacetalk wearables are now sold across Australia, New Zealand, the United Kingdom, Finland, Norway, Sweden and Denmark, the United States and Canada.

The Board is very excited about the opportunities ahead.

¹ Unaudited



SCHOOLS BUSINESS

During 2021, the Schools Business also performed well notwithstanding Covid related disruptions and school shutdowns; particularly in Australia's two most populous states of NSW and Victoria. We took the opportunity to optimise the cost base and in its current form, the Schools Business is a stable, high margin, net cash generating business.

It may appear that the Schools business is making a "loss", but within its costs is an allocation of overheads and sharing of technology and operating fixed costs that would not necessarily disappear without the schools business.

SPACETALK LIFE

Our Spacetalk Life watch for seniors was launched in June 2020; approximately 15 months ago.

The nature of the target client for the Life watch requires a different distribution model to that for our kids devices. We have introduced and are evolving our Business-to-Business-to-Consumer distribution model by working with organisations that work with seniors. This includes pharmacies and aged care service providers.

It is still early days, but we still believe in the opportunity for this vertical market.

SPACETALK ADVENTURER

We launched the Spacetalk Adventurer watch in December 2020.

The Adventurer was a totally new design from us and included 4G with multiple band frequency capability. For the first time we had a device that permitted us to enter international markets.



Launching Adventurer into new international markets also necessitated obtaining relevant approvals and we have since received technical acceptance. In Europe with the Global Certification Forum². In the US with the Federal Communication Commission³. In Canada with the Spectrum Management System⁴.

These are significant achievements.

SPACETALK APP

Spacetalk devices are now sold across the European, Asian, and North American time zones and each market has different characteristics. As such, we need to refine our business model to accommodate local conditions.

As such, we need to strike the appropriate business model balance in each market. We are also researching and developing additional applications and revenue models which can be delivered through our platform in a safe and responsible manner.

NEXT GENERATION WATCH AND APPLICATIONS

As part of our current capital raising, funds have been allocated to develop the Company's next generation of wearables and applications, thus maintaining our innovation lead over competitors.

We are at the very early stages of the next generation watch but expect to have something to market within the next 12 to 24 months. There are many decisions yet to be made, including the key decision of which processor chip platform to use.

Many of our desired enhancements are confidential for competitive reasons, but we are certainly looking at making a thinner watch with longer battery life with better graphic capabilities. We will advise shareholders, customers, and the market of future developments when it is appropriate to do so.

² <https://www.globalcertificationforum.org>

³ <https://apps.fcc.gov/tcb>

⁴ <https://sms-sgs.ic.gc.ca>



SUPPLY CHAIN

We are not witnessing any supply chain disruption. There was a small impact flowing from the recent energy rationing in China, however, this has washed through our production with negligible impact due to the skill of our supply chain team.

ORGANISATIONAL CAPACITY AND CAPABILITY

Since we last met, our staff numbers have increased from 50 to 62. Reflecting our international expansion and potential, we now have employees based across Australia and in China, the United Kingdom and the United States.

As the Company grows, in head count and geographically, we have invested significant time and effort into defining and articulating our values and embedding them into our processes and behaviour to develop a culture of which we are truly proud. In particular within our recruitment, performance management, professional development, recognition and reward processes. This will empower us to better recruit, retain and reward our people.

Early signs are promising as our regular internal staff surveys show that staff morale continues to increase and is at an all-time high. Our annual staff survey shows year on year improvement in staff engagement – from 3.9 of out of 5 in 2019 to 4.3 in 2020 to 4.4 in 2021.

We have successfully recruited and onboarded quality people including our first staff in NSW, Qld, Ireland and the USA, and we have recently announced the appointment of Martin Darbyshire, who will join Spacetalk in the role of Chief Design Officer. Martin's appointment will further enhance Spacetalk's existing in-house capabilities. We are also currently recruiting a US based Chief Operating Officer.

EMPLOYEE LITIGATION

Regarding the litigation by a former Spacetalk employee, as this matter is before the courts, it is inappropriate for us to comment.

There are no material developments to report and I would refer you to our market announcement of earlier this year.



LONG TERM INCENTIVE PLAN

At last year's meeting of members, Shareholder's approved a grant of incentives to Directors subject to four vesting conditions. For Shareholder's information, these conditions have not yet been satisfied. These conditions are:

- 30-day Volume Weighted Average Price (VWAP) of \$0.30 on or before the 3rd anniversary of the date of grant
- 30-day VWAP of \$0.45 on or before the 3rd anniversary of the date of grant
- Monthly APP Annual Recurring Revenue of \$3 million on an annualized basis
- Cumulative gross profit of \$1 million from US channel sales over the 3-year period from the date of grant

CAPITAL AND BALANCE SHEET

Since balance date, the Company has undertaken a capital raising to provide the necessary working and growth capital to allow us to meet the demand and emerging interest for our products and services.

The capital raising was by way of a two-tranche placement of \$8.0 million and a Share Purchase Plan ("SPP") for up to \$2.5 million. I take this opportunity to remind shareholders that the closing date for the SPP has been extended to this coming Thursday, 2 December 2021.

The first tranche of the placement in the amount of \$5.6 million before costs has been completed and the second tranche of the placement is subject to accessing additional placement capacity.

On behalf of the Board, I would like to thank those who participated and demonstrated their confidence in our products, people, and strategy.



In determining how to undertake a capital raising, we considered numerous tensions and trade-offs, including between existing and new shareholders. Ultimately, the Board determined that a placement provided the speed and certainty necessary for the Company to place inventory orders, to enter into negotiations and to sign distribution arrangements. As noted in our recent market update, the Company's working capital cycle can be as long as 6 months from order to manufacture to dispatch to invoice to payment.

The additional capital received thus far has enabled the Company to pre-purchase components and to pay deposits to secure production capacity. We also commissioned the production of inventory to satisfy our revised demand forecasts.

Based on our current projections, we would expect \$10m of capital (after costs) to provide necessary runway for the near term.

SHARE PURCHASE PLAN

The Share Purchase Plan associated with this capital raising provided Australian and New Zealand shareholders on the 1 November 2021 record date with the opportunity to participate in the capital raising.

We have elected to extend the closing date for this SPP until 2 December 2021. The Company was advised that some shareholders had only received their offer documents midway through the application window. As such, the offer period has been extended for an additional four business days until 2 December 2021.

PURE ASSET MANAGEMENT WARRANT

This recent capital raising has triggered a reprice on the warrant issued to Pure Asset Management. Resolution 4 today is to ratify this warrant.

We have received mixed feedback regarding this warrant, so I want to take the opportunity to provide some additional information.



In early calendar 2021, we assessed that we needed new capital. We considered raising equity capital at the time but given the Company's prevailing share price, determined that raising equity capital would have been heavily dilutive to shareholders. Thus, in March 2021, we announced an arrangement with Pure Asset Management for a \$5.0 million loan facility.

The 5-day average share price BEFORE the announcement of the Pure loan was \$0.108. The 5-day average share price AFTER the announcement of the Pure loan was \$0.161 delivering an accretion of approximately \$8.5 million of market capitalisation or an increase in share price of approximately 50%. Similarly, the average share price SINCE the announcement of the Pure loan but BEFORE the recent capital raise was \$0.178. – a further increase of approximately 10%.

As part of the facility, Pure was provided a warrant over 11 million Spacetalk shares with an exercise price of \$0.30. The warrant over 11,000,000 shares was originally priced at close to 3 times the prevailing share price but with an adjustment mechanism. This price adjustment was triggered with the recent capital raise.

At the time, the Board also sought, received and deliberated upon alternative financing proposals, but the Pure loan was considered the best option on offer at the time. We believe that our subsequent performance supports our decision.

CORPORATE GOVERNANCE

On a governance front, as announced in our Annual Report, the Board remains committed to appointing an independent Chair and an additional director. This is largely the rationale for Resolution 3 to be considered later this meeting, to increase the director remuneration pool.

The Company has consulted search firms who stand ready to act following the conclusion of today's meeting. We intend for this director recruitment process to accelerate following today's meeting.

We are unable to provide a timetable on this recruitment but are hopeful of concluding this process within 3-4 months, noting also that we are approaching the holiday period.



We will update the market when there is material news to disclose.

The changes to the Board are only one part of a broader governance enhancement project we are developing reflective of the evolution and growth of our Company. It will ultimately be a matter for the new Chair and board, but I envisage that the enhanced board will also establish an Audit Committee and a Nomination and Remuneration Committee.

RE-ELECTION OF DIRECTOR – MARTIN PRETTY

An essential part of our governance arrangements includes retaining our existing Directors. Resolution 2 in the business of the meeting is for the re-election of Martin Pretty as a Non-Executive Director of the Company.

Martin has over 20 years of experience in the investment and finance industry and has had deep involvement over that time in investing in and supporting growing Australian technology businesses. He was previously an investment manager with Thorney Investment Group and held management roles at ASX-listed companies Hub24, Bell Financial Group and IWL Limited.

He has worked as a financial journalist with The Australian Financial Review and is currently the managing director of boutique investment firm, Equitable Investors.

The Board unanimously supports and recommends the re-election of Martin.

For those who ask about the achievements of individual non-executive directors, it is not possible or appropriate to provide commentary. Non-Executive Directors are by definition non-executive. They exercise strategic oversight over the business.

It is inappropriate and impractical to schedule achievements but suffice to say, our non-executive directors have individually and collectively made valuable contributions to the Company.



2021 REMUNERATION REPORT AND FINANCIAL ACCOUNTS

I also take this opportunity to emphasise that our Remuneration Report and Financial accounts have been prepared consistent without our obligations under the Corporations Act, 2001 and with accounting standards. These accounts have been independently audited by an external auditor, Mr. Ian McDonald, and Mr. McDonald's audit has been separately and independently quality assured as is required.

LOOKING AHEAD

Since we launched our Spacetalk Kids watch approximately 4 years ago, we have expanded our products, services organisation, and distribution. Our wearables are now sold across the world, in-store and on-line, through our websites and through mass market retailers and leading mobile network operators.

Our ownership and control of our end-to-end technology and design is unique amongst our peers, providing us an exceptionally important source of strategic competitive advantage and our customers a highly integrated ecosystem and user experience. It also allows us to quickly and efficiently deploy new features as we did just recently with the Level-Up Upgrade.

The recent Life360 transaction some of you may be familiar with highlights the different valuations the market ascribes to software companies versus hardware companies. It also supports our strategy to not only include an app fee but to evolve our business model to include premium in-app services.

We are currently researching and developing additional applications and revenue models which can be delivered through our platform in a safe and responsible manner.

Awareness and demand for our products is increasing day-by-day which is why we continue to invest, opening representative offices in Europe and North America, and commencing the development of our next generation of watch and app.



Since balance date, we have successfully expanded out distribution to Continental Europe and North America and within Australia. As noted earlier, we have delayed our on-line launch with Best Buy US while we negotiate a potential combined in-store and on-line launch.

With regard to distribution within broader Continental Europe, we are in discussions with potential distribution partners. Our recent Level-Up system upgrade, which added Spanish and French language support, opens the door to additional opportunities. Again, these discussions are very preliminary and may not translate into additional sales.

SLIDE: THANK YOU

Since the FY18 financial year when we launched Spacetalk from a zero-starting point, cumulative revenues for the Company have been over \$34 million, more than 70 percent of which has come from our wearables business. This represents a more than 3,000 percent growth in our wearables business revenue over these four years'.

We have successfully transformed a stable, domestically focused software business into a pioneering, fast growing, global device, and applications business in the fastest growing consumer electronics segment in the world.

I am very proud of our achievements and the Spacetalk team that contributed to this. It is for these and many other reasons that I believe that the future for Spacetalk is bright.

I would like to close my address by thanking my fellow directors, Martin and Brandon. I also would like to thank you, our shareholders, for your ongoing support during what has been a transformational year. I marvel at our extraordinary progress.

Our growth and passionate focus to achieve our purpose would not be possible without the innovation, hard work and dedication of our employees all around the world. As we are now a global 24/7 operation, many staff work extraordinarily hard, sacrificing to grow our business. They work every day to drive this extraordinary evolution of our Company. I would like to deeply thank them for their effort and inspiration. The Board greatly appreciates all that they do.

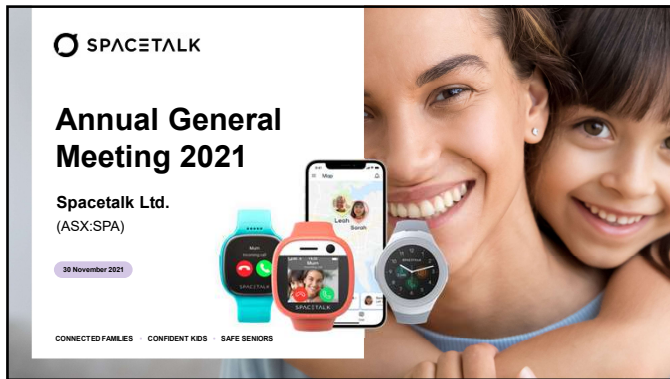


I would also like to thank our customers. Directly the schools, retailers and mobile operators, but ultimately the families, the kids and the seniors that use and value what we deliver. Without their custom, there would be no Spacetalk.

We hope we can count on all your combined support as we prepare to seize the opportunities ahead of us.

In conclusion, if any attendees have any questions regarding Spacetalk, there will an opportunity to ask when we consider the formal items of business for today's meeting. Outside this, I invite you to write to the Company separately.

Thank you.



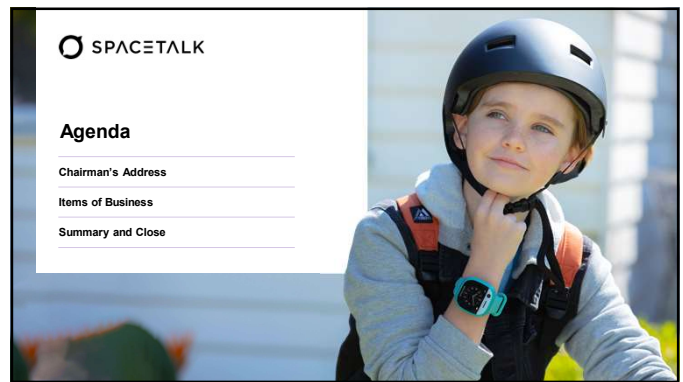
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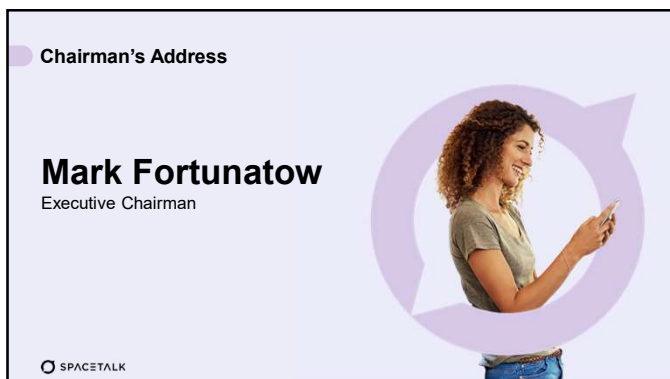
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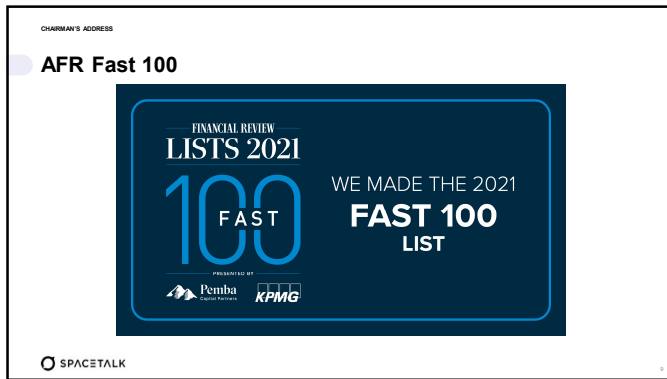
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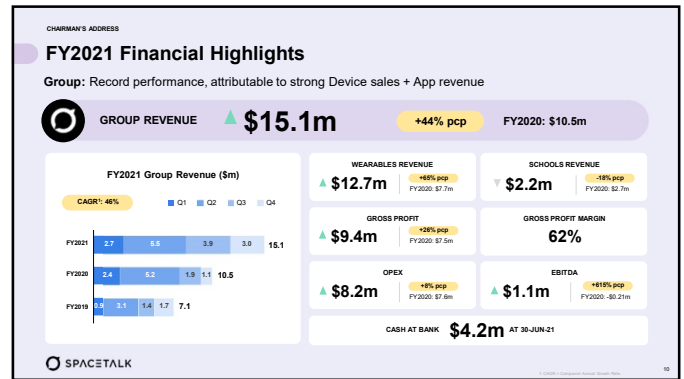
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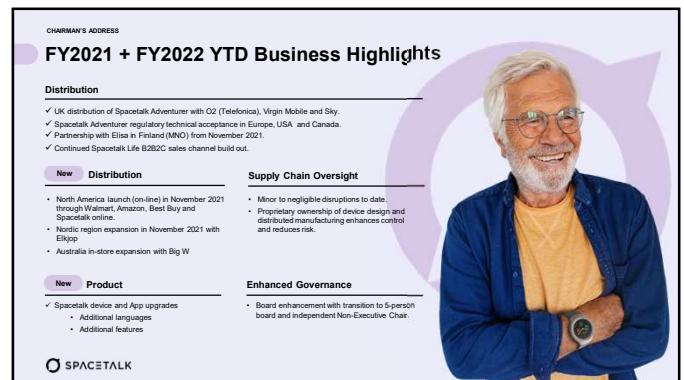
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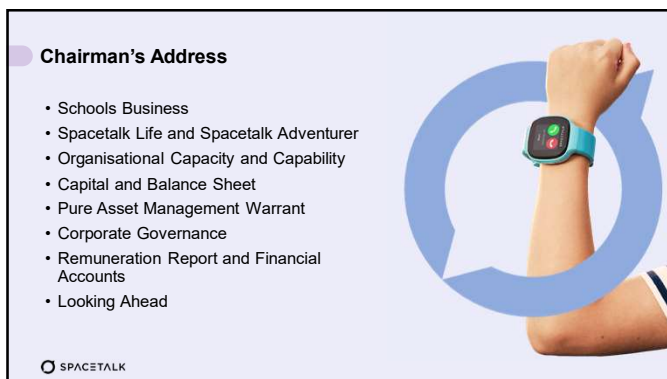
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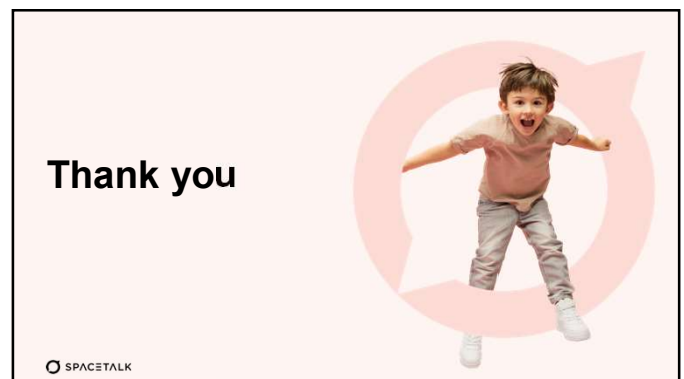
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