

Appendix 4D

Half-Year Report

SPACETALK LTD

ABN 93 091 351 530

31 December 2021
(Previous corresponding period: 31 December 2020)

Appendix 4D

SPACETALK LTD

ABN 93 091 351 530

Half-Year Report
31 December 2021
(Previous corresponding period: 31 December 2020)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Percentage change from corresponding period	Amount change from corresponding period	6 months ended 31/12/2021
Financial Results	**%**	**$**	**$**
Revenue from ordinary activities	50%	4,095,776	12,346,683
Loss from ordinary activities after tax attributable to members	(213)%	(1,323,884)	(1,946,325)
Net loss for the period attributable to members	(209)%	(1,320,782)	(1,954,103)

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 2021 (cents per share)	31 December 2020 (cents per share)
Net tangible asset backing per ordinary security	9.34	7.95

Other explanatory notes	
N/A	
Control gained or lost over entities during the period	
Name of entity	N/A
Date of gaining or losing control	N/A
Dividend or distribution reinvestment plan details	N/A
Dividends or distributions reinvestment plan details	N/A
Joint venture and associate details	N/A

Half-Year Report

31 December 2021

(Previous corresponding period: 31 December 2020)



SPACETALK

CONNECTED FAMILIES • CONFIDENT KIDS • SAFE SENIORS

Half-Year Report

Ended 31 December 2021

Contents

03 Corporate Directory

04 Directors' Report

07 Auditor's Independence Declaration

08 Independent Auditor's Review Report to the Members of Spacetalk Ltd

09 Directors' Declaration

10 Financial Statements

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
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" or "Company") 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 2021 ("1HFY22").

DIRECTOR'S DETAILS

The following persons were Directors of Spacetalk during and since the end of 1HFY22:

- Mr Mark Fortunatow Executive Chairman and CEO
- Mr Martin Pretty Non-Executive Director
- Dr Brandon Gien Non-Executive Director

All Directors have been in office since the start of the 2022 financial year to the date of this report.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The Company's financial results for the half year to end December 2021 were sound.

Total revenue for the half was $12.3 million, a 50% increase on the prior corresponding period. Total wearables revenue was $11.4 million, an increase of 58% over the prior comparable period.

During the half, revenue growth was aided by the benefits of prior geographic diversification. Wearables revenue in Australia and New Zealand increased by 25% compared to the prior corresponding period and in Europe by 267% compared to the prior corresponding period.

Spacetalk's launch in the North America and Nordic regions only occurred in late November 2021 meaning that revenue contributions from these regions in the half year results was modest. Notwithstanding, Spacetalk wearables are now sold in Australia, New Zealand, the United Kingdom, Finland, Norway, Denmark, Sweden, Canada and the United States of America.

Annualised Recurring Revenue (ARR) from the Spacetalk App's monthly subscriptions was $3.5 million, up 52% compared to the prior corresponding period, validating Spacetalk's strategy of building an integrated eco-system. The Company continues to research and develop additional paid premium services and applications to complement and supplement the Spacetalk App.

Device sales growth was achieved with marketing expenses broadly equivalent to the prior comparable period ($1.0 million versus $1.0 million pcp). This infers a lower cost of customer acquisition.

Capital allocation and spending discipline remain core tenants of the Company's growth strategy.

MGM schools business revenue was $1.0 million, reflecting no change from the prior corresponding period. The schools business was impacted by two years of Covid related school disruptions, particularly in New South Wales and Victoria.

Despite flat revenue for the half, the schools business remains a strong net positive cashflow generator for the Group.

FINANCIAL HIGHLIGHTS

A summary of the Group's financial results from operations for 1HFY21 and the prior corresponding six-month period (1HFY20) is set out below.

	Half year ended 31 Dec 2021	Half year ended 31 Dec 2020	Percentage Change[1]
	$m	$m	
Total Revenue	12.3	8.3	+ 50%
Wearables Revenue	11.4	7.3	+ 58%
- Devices	9.9	6.3	+ 57%
- App	1.5	0.9	+ 67%
- ARR	3.5	2.3	+ 52%
Schools Revenue	1.0	1.0	-
EBITDA[2]	(0.6)	0.6	- 200%
Net Loss	(2.0)	(0.6)	- 210%
Cash balance	9.7	4.2	+ 131%
Net Cash/(Debt)[3]	4.7	4.2	+ 12%

1 Some percentage change calculations may be impacted by rounding.

2 EBITDA exlcudes sharebased payment expenses and fair value loss/gain associated with the warrant.

3 Cash at bank less drawn loan facilities

All growth rates in this section refer to the change from results reported in 1HFY20 (also known as the prior corresponding period).

BUSINESS HIGHLIGHTS

During the half, the Company:

- Commenced on-line and in-store distribution of Spacetalk Adventurer in Continental Europe through Elisa and Elkjop.
- Commenced on-line distribution of Spacetalk Adventurer with Amazon and Walmart in America and through Best Buy in Canada.
- Achieved record levels of sales in Australia, expanded in-store distribution with Big-W into 50 stores and expanded on-line distribution with Amazon Australia.
- Appointed Martin Darbyshire as Chief Design Officer, further enhancing Spacetalk's existing in-house capabilities. Martin was the founder, and remains Chairman of, Tangerine.
- Ranked 72 in AFR Fast 100, AFR's list of the fastest growing companies in financial year 2021.
- Received technical acceptance for Spacetalk Adventurer in Europe , the United States of America , and Canada.
- Deployed a major Spacetalk eco-system enhancement, Level-Up , which included device and app upgrades to allow for multi-language support, wear detection, Buddies, calculator and light.
- Continued marketing of Spacetalk Life seniors device to over 50,000 aged care service providers through an evolving B2B2C sales channel.

BALANCE SHEET COMMENTARY

As at 31 December 2021 Spacetalk held cash of $9.7 million. During the half, the Company drew down the second tranche of funding under its loan facility with Pure Asset Management. The Company's net cash/debt position was $4.7 million.

During the half, the Company successfully raised $9.5 million of new equity capital before costs ($9.0 million after costs). Capital raised will be (and has been) used for working and growth capital, including the development of the next generation Spacetalk wearables, app and eco-system.

PROFIT AND LOSS STATEMENT COMMENTARY

In addition to notable revenue increases during the period, expenses also increased, particularly around employee costs, and corporate and administration costs. Expense increases were driven by the following:

- **Employee expenses** for six months to 31 December 2020, the prior comparable period, were artificially low due to one-off items including the receipt of Government support payments (JobKeeper - $0.5m) and the impacts of the Company's Covid response strategies (headcount reductions and 20% salary reductions to all staff applied in July and August 2020). Additionally, Company headcount increased by 35% to 65 from 48 at the prior comparable period reflecting the Company's investment in its growth strategies and building corporate resilience.
- **Corporate and administrative expenses** increased relative to the prior comparable period, similarly, reflecting the Company's investment in its growth strategies. Expenses for the six months to 30 December 2021 account for the costs of establishing and operating offices in the US. Corporate and administration costs also reflect increased shipping and distribution costs associated with increasing device production and the 290% increase in inventory relative to the prior corresponding period. Platform fees also increased reflecting higher device sales volumes. These expenses, particularly shipping, rise with increasing device production and sales.
- Amortisation expenses increased reflecting the flow through of the capitalisation of product development costs.

EXPANDED DISTRIBUTION

In addition to distribution arrangements previously announced and commenced prior to 31 December 2021:

- Planning continues to expand the ranging of Spacetalk into all 189 Australian Big W stores.
- Distribution has expanded to Finland through 42 of Elkjop's Gigganti stores.
- Distribution has expanded to Denmark through Telenor, both on-line and in-store.

The financial impact on Spacetalk of selling through these channels is currently unknown, with no guaranteed or minimum level of revenue, however, the Company expects it to have a direct positive impact on the total revenues of the Company.

SUPPLY CHAIN AND INVENTORY

The Company experienced no material supply chain disruptions during the half with supply chain management remaining a priority focus for the Company.

Spacetalk's proprietary ownership of the design of its devices and applications, provides many powerful strategic competitive advantages including the Company's ability to manage supply chain risks.

PERFORMANCE SCORECARD

In August 2021, the Company listed five objectives for the FY22 year. These objectives and the performance against is as follows:

- **Grow top-line revenue** - total Group revenue grew 50% against the prior comparison period. Within this, total wearables business revenue grew 56%, again with reference to the prior comparison period.
- **Expand Spacetalk LIFE distribution** - discussions continue to expand Spacetalk Life distribution. Unlike the Spacetalk Adventurer device however, optimal distribution channels for the Life device are not through retailers and mobile operators. The Company is continuing the process of engaging with aged care service operators and service providers, and although initial discussions have been promising, these potential distribution partners are currently focused on managing Covid related risks for their customers.
- **New Ecosystem Functionality** - Spacetalk deployed a major ecosystem update in October 2021 titled Level Up. This update added new features, functionality and support for six additional languages. Work is currently underway to add video calling, speech to text and a further 3 languages (Italian, Dutch, and German). The Company also continues to research and develop paid premium services and applications to complement and supplement the Spacetalk App.
- **Expand Global Penetration** - Since August 2021, Spacetalk has expanded global distribution to the United States, Canada, Sweden, Finland, Norway, and Denmark. Discussions in other jurisdictions are preliminary and continuing.
- **Improve operating cost efficiencies** - Whilst total expenses have risen compared to the prior comparable period, this is reflective of the growing size and footprint of the business. The Company has made significant investments into operational capacity to support North American and European growth. Additionally, investments have been made to enhance the overall organisational capabilities and resilience of the business.

TRADING UPDATE AND OUTLOOK

Group revenues in January 2022 were ahead of January 2021 by approximately 15%.

In Australia, the Company is planning a significant sales promotion for March 2022 in collaboration with distribution partners. This is expected to translate into a positive sales effect.

Within Europe, the outlook continues to appear positive. UK sales continue to improve, and Nordic sales continue to grow since the November 2021 launch, reflecting the opportunities available in geographies where market awareness of kids wearables is strong.

North America sales remain positive but modest at this very early stage. The Company continues to build awareness, refine operational systems, and optimise search algorithms. Based on the Company's experiences in launching in other markets, such efforts can take some months to build momentum, particularly recognising the market size and scale of North America.

The Company has previously announced discussions with a leading US retailer regarding in-store and on-line distribution of Spacetalk Adventurer wearables. These discussions are ongoing, but there is nothing further update at this time.

ORGANISATIONAL CAPABILITY

Further to Company announcements made during 1H22, the Company is pleased to advise that it has made key appointments to support its growth:

- Mr Jim Quinn joins Spacetalk as (US based) Chief Operating Officer. Mr Quinn has extensive executive experience across US technology companies, including at Apple, FitBit and Kinsa. At FitBit, Mr Quinn led the build of the global supply chain function.
- Mr Mark Moloney joins Spacetalk as Global Sales Director. Mr Moloney joins from JB Hi-Fi where he was previously General Manager of the wearables, fitness, and other consumer electronics categories. Prior to JB Hi-Fi, Mr Moloney was National Business Manager for Sony Pictures Entertainment.

Spacetalk additionally notes that it has engaged the services of Russell Reynolds Associates to lead the search for an Independent Non-Executive Chairman for the Company. Russell Reynolds Associates is a globally recognised leadership advisory and executive and board search firm.

CHANGES IN THE STATE OF AFFAIRS

During the half year ended 31 December 2021 there were no significant changes 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 2021 (2020 half-year: $nil).

No Dividends relating to the year ended 30 June 2021 were paid during the half year ended 31 December 2021 (2020 half-year: $nil).

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration for the half-year report ended 31 December 2021 has been received and is included on page 7. 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

18 February 2022.

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 2021, 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 18 February 2022

Independent Auditor Review 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 2021, 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 2021 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 2021 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 18 February 2022, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Ian mcDonald

Ian G McDonald FCA
Chartered Accountant
Dated in Adelaide on 18 February 2022

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 2021

		Consolidated Group Half- Year Ended	
	Notes	31/12/2021	31/12/2020
		$	$
Revenue		**12,346,683**	8,250,907
Cost of sales		**(5,464,303)**	(3,804,707)
Gross Profit		**6,882,380**	4,446,200
Interest expense		**(453,240)**	(2,024)
Allowance for expected credit loss		**(69,171)**	-
Amortisation & depreciation		**(1,873,950)**	(1,337,641)
Issue of rights	4	**(279,001)**	(110,752)
Corporate and administration		**(3,082,859)**	(1,437,205)
Advertising and marketing		**(1,042,486)**	(948,333)
Employee costs		**(3,241,973)**	(1,432,004)
Fair value gain/(loss)		**544,231**	-
(Loss)/ Gain on foreign exchange		**(18,825)**	(14,876)
Loss before tax		**(2,634,894)**	(836,635)
Income tax benefit		**688,569**	214,194
Net loss for the period attributable to owners of the Company		**(1,946,325)**	(622,441)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(7,778)**	(10,880)
Other comprehensive income for the period (net of tax)		**(7,778)**	(10,880)
Total comprehensive income for the period attributable to owners of the Company		**(1,954,103)**	(633,321)
Earnings per share			
Basic (cents per share)		**(1.14)**	(2.73)
Diluted (cents per share)		**(1.09)**	(1.82)

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 2021

	Notes	Consolidated Group As At 31/12/2021 $	30/06/2021 $
ASSETS			
Current Assets			
Cash and cash equivalents		**9,668,508**	4,185,033
Trade and other receivables	6	**3,001,963**	2,218,826
Inventories		**4,982,137**	1,736,994
Other current assets		**2,275,851**	2,774,845
Total Current Assets		**19,928,459**	10,915,698
Non-Current Assets			
Property, plant and equipment		**228,479**	205,911
Intangibles	7	**3,884,454**	3,941,220
Right-of-use assets	8	**196,535**	289,016
Deferred tax assets		**1,306,191**	655,661
Total Non-Current Assets		**5,615,659**	5,091,808
Total Assets		**25,544,118**	16,077,506
LIABILITIES			
Current Liabilities			
Trade and other payables		**3,216,517**	1,944,348
Provisions	8	**520,842**	418,494
Lease liabilities		**198,984**	183,539
Income tax liabilities		**146,967**	51,379
Total Current Liabilities		**4,083,310**	2,597,760
Non-Current Liabilities			
Borrowings	9	**2,744,942**	1,538,125
Warrants	10	**1,865,495**	2,409,726
Lease liabilities	8	**3,735**	109,304
Deferred Tax Liabilities		**1,080**	1,046
Total Non-Current Liabilities		**4,615,252**	4,058,201
Total Liabilities		**8,698,562**	6,655,961
Net Assets		**16,845,556**	9,351,545
EQUITY			
Issued capital	3	**27,966,192**	18,686,099
Reserves		**6,602,988**	6,442,745
Accumulated losses		**(17,723,624)**	(15,777,299)
Total Equity		**16,845,556**	9,351,545

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 2021

	Issued Capital	Accumulated Losses	Share based payment Reserve	Foreign Currency Translation Reserve	Total Equity
Consolidation	**$**	**$**	**$**	**$**	**$**
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					
Shares 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**
At 1 July 2021	**18,686,099**	**(15,777,299)**	**6,485,655**	**(42,910)**	**9,351,545**
Loss attributable to members	-	(1,946,325)	-	-	(1,946,325)
Currency translation differences	-	-	-	(7,778)	(7,778)
Total comprehensive income	-	(1,946,325)	-	(7,778)	(1,954,103)
Transaction with owners					
Contributions and distributions					
Share issued	9,497,018	-	-	-	9,497,018
Options exercised	-	-	-	-	-
Cost of share issued	(327,905)	-	-	-	(327,905)
Options/rights issued	110,980	-	168,021	-	279,001
Transactions with owners	9,280,093	-	168,021	-	9,448,114
At 31 December 2021	**27,966,192**	**(17,723,624)**	**6,653,676**	**(50,688)**	**16,845,556**

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 2021

	Consolidated Group Year Ending	
	31/12/2021	**31/12/2020**
	$	**$**
Cash flows from operating activities		
Receipts from customers	**12,643,812**	4,041,723
Payments to suppliers and employees	**(16,271,171)**	(6,982,551)
Interest and other costs of finance	**(8,666)**	(2,024)
Government subsidy	**-**	599,500
Net cash provided by operating activities	**(3,636,025)**	(2,343,352)
Cash flows from investing activities		
Payments for plant and equipment	**(52,601)**	(17,567)
Payment for research and development	**(1,694,672)**	(1,526,018)
Net cash (used in)/provided by investing activities	**(1,747,273)**	(1,543,585)
Cash flows from financing activities		
Proceeds from issue of shares	**9,497,018**	2,495,047
Share issue costs	**(327,905)**	(35,278)
Proceeds from loan	**2,000,000**	-
Repayment of loan	**(204,438)**	-
Payment of lease liabilities	**(90,124)**	(119,605)
Net cash (used in)/provided by financing activities	**10,874,551**	2,340,164
Net increase/decrease in cash held	**5,491,253**	(1,546,773)
Cash and cash equivalents at 1 July	**4,185,033**	3,165,125
Effect of exchange rate changes	**(7,778)**	(10,880)
Cash at the end of the year	**9,668,508**	1,607,472

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

Notes to the Financial Statements for the half-year ended 31 December 2021

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 should 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 2021 annual financial report for the financial year ended 30 June 2021 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.

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 2021-3	Amendments to Australian Accounting Standards - Covid-19 Related Rent Concessions beyond 30 June 2021

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 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
AASB 2021-5	Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities from a Single Transaction	1 January 2023

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 2021. 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

Smart watches and apps reportable segment supply the 'Spacetalk' smart watches 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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
School messaging services	971,158	979,425	(562,272)	(46,221)
Smart watches and apps	11,341,240	7,140,268	(1,384,053)	(576,220)
Other	34,285	131,214	-	-
Total for Continuing Operations	12,346,683	8,250,907		
Loss after tax (continuing operations)			(1,946,325)	(622,441)

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 (2020: nil).

2.3 SEGMENT ASSETS AND LIABILITIES

Segment assets and liabilities

	Assets As at		Liabilities As at	
	31/12/2021	30/06/2021	31/12/2021	30/06/2021
School messaging services	2,098,780	2,919,012	1,514,294	1,341,842
Smart watches and apps	11,652,497	7,729,670	2,425,784	1,261,419
Total segment assets/ liabilities	13,751,277	10,648,682	3,940,078	2,603,261
Unallocated assets/ liabilities	11,792,841	5,358,824	4,758,484	4,052,700
Consolidated Assets	25,544,118	16,007,506		
Consolidated Liabilities			8,698,562	6,655,961

For the purpose of monitoring segment performance and allocating 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.

During the period, management has reassessed the segment allocation with the growth for the Smart watches and apps segment. The comparative figures have been updated to reflect the change in allocations.

2.4 GEOGRAPHICAL INFORMATION

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

Segment assets and liabilities

	Year Ended	
	31/12/2021	31/12/2020
Australia	8,457,032	7,260,116
United Kingdom	2,914,212	880,616
Europe	382,991	-
US	93,988	-
New Zealand	498,460	110,175
Total	12,346,683	8,250,907

All revenues outside Australia relate to Spacetalk watch sales. Revenues in Australia relate to Spacetalk watch sales and School Communication 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 2021	**165,381,445**	**18,686,099**
Share Purchase Plan	**7,879,040**	**1,497,018**
Capital raising	**42,105,264**	**8,000,000**
Employee incentive rights vested	**407,500**	**110,980**
Share issue cost	**-**	**(327,905)**
Balance at 31 December 2021	**215,773,249**	**27,966,192**

No shares were issued to contractors as consideration for services provided (2020: 89,969). 407,500 shares were issued as a consequence of rights vesting under the employee incentive plan (2020: 180,000).

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
15/12/2021	24/11/2022	$0.18	$0.00	166.30%	0.94 Years	$0.00	$0.18	200,000	24/11/2022
15/12/2021	24/11/2023	$0.18	$0.00	166.30%	1.94 Years	$0.00	$0.18	200,000	24/11/2023
15/12/2021	24/11/2024	$0.18	$0.00	166.30%	2.95 Years	$0.00	$0.18	200,000	24/11/2024

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. (2020: 6,634,500 employee incentives were granted).

5. DIVIDENDS

No dividends were declared or paid for the period ended 31 December 2021 (2020: nil).

There were no dividends reinvested in 2021 (2020: $nil).

6. TRADE AND OTHER RECEIVABLES

Segment assets and liabilities

	Year Ended	
	31/12/2021	**30/06/21**
Trade receivables	**3,071,650**	**2,287,874**
Loss allowances	**(69,687)**	**(69,048)**
	3,001,963	**2,218,826**

7. INTANGIBLE ASSETS

	Distribution Rights	Capitalised Development Costs	Total
Cost	**$**	**$**	**$**
Balance at 30 June 2020	441,017	14,513,284	14,954,301
Additions from internal developments	-	2,997,640	2,997,640
Balance at 30 June 2021	441,017	17,510,924	17,951,941
Additions from internal developments	-	1,694,671	1,694,671
Balance at 31 December 2021	441,017	19,205,595	19,646,612
Accumulated amortisation and impairment			
Balance at 30 June 2020	(308,707)	(10,932,590)	(11,241,297)
Amortisation	(44,100)	(2,725,324)	(2,769,424)
Balance at 30 June 2021	(352,807)	(13,657,914)	(14,010,721)
Amortisation	(22,050)	(1,729,387)	(1,751,437)
Balance at 31 December 2021	(374,857)	(15,387,301)	(15,762,158)
Carrying Value 31 December 2021	**66,160**	**3,818,294**	**3,884,454**

8. LEASES

8.1 RIGHT-OF-USE ASSET

	Building	Vehicle	Total
Cost	**$**	**$**	**$**
Balance at 1 July 2020	336,816	33,176	**369,992**
Additions	354,563	-	**354,563**
Balance at 30 June 2020	691,379	33,176	**724,555**
Additions	-	-	**-**
Balance at 31 December 2021	691,379	33,176	**724,555**
Accumulated amortisation and impairment			
Balance at 1 July 2020	(211,668)	(24,213)	**(235,881)**
Amortisation	(190,695)	(8,963)	**(199,658)**
Balance at 31 December 2020	(402,363)	(33,176)	**(435,539)**
Amortisation	(92,481)	-	**(92,481)**
Balance at 31 December 2021	(494,844)	(33,176)	**(528,020)**
Carrying Value 31 December 2021	196,535	-	**196,535**

8.2 LEASE LIABILITIES

	31/12/2021	30/06/2021
Maturity analysis	**$**	**$**
Less than one year	197,578	197,578
Between 1 and 5 years	12,464	111,254
	210,042	308,832
Less: unearned interest	(7,323)	(15,989)
	202,719	292,843
Analysed as:		
Current	198,984	183,539
Non-current	3,735	109,304
	202,719	292,843

Included within interest expense in the consolidated statement of profit and loss and other comprehensive income is an accounting for interest on lease liabilities in the amount of $3,929 (2021:$1,653).

9. BORROWINGS

	31/12/2021	30/06/2021
	$	$
Term loan	2,744,942	1,538,126

In March 2021, 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 of $3 million was drawn in March 2021. During the period ended 31 December 2021, the Company drew down the second tranche of $2 million.

10. WARRANTS

	31/12/2021	30/06/2021
	$	$
Warrant liabilities	1,865,495	2,409,725

As part of the 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 up to 48 months from the first drawdown. The warrants liabilities are measured at fair value through profit or loss. During the period, the warrant exercise price was adjusted from $0.30 to $0.2169 resulting from the Company's November 2021 capital raising and share purchase plan.

11. TRANSACTION WITH RELATED PARTIES

During the period $12,000 was paid to Good Design for consulting fees (2020: $13,200). Good Design is a related entity of Brandon Gien.

During the period the was no payment to Equitable Investors (2020: $5,274). Equitable Investors is a related entity of Martin Pretty.

12. EVENTS AFTER REPORTING DATE

There was no item, transaction or event of a material and unusual nature arising in the interval between 31 December 2021 and the date of this report that, in the opinion of the Directors of Spacetalk Ltd, significantly affect 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 2021.