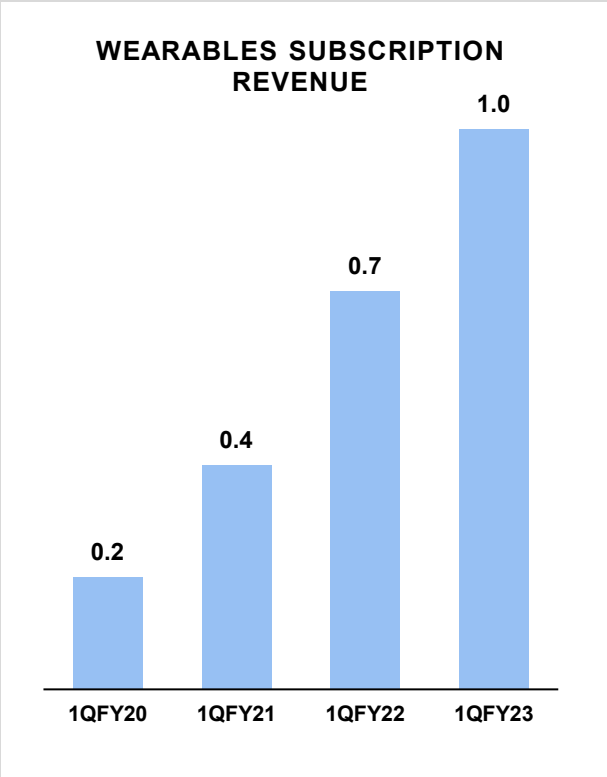
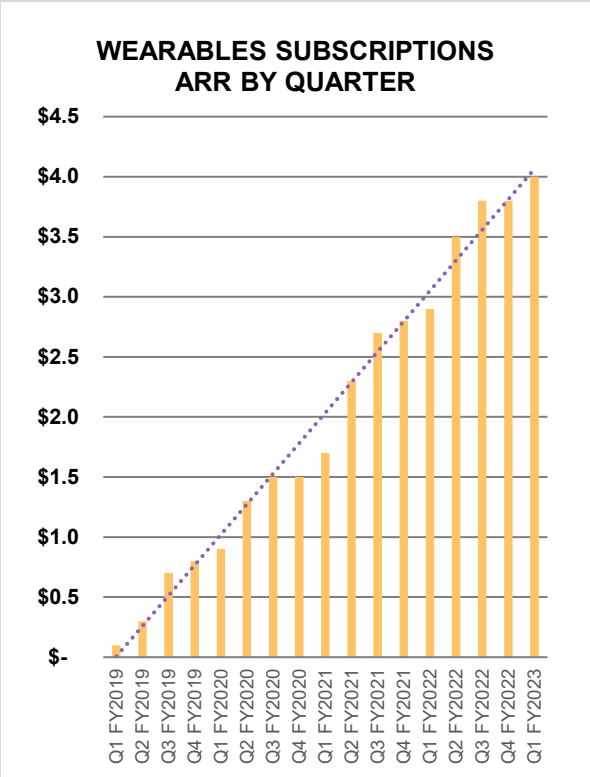
ASX Announcement
Spacetalk Ltd. (ASX:SPA)
26 October 2022

Q1 FY2023 BUSINESS UPDATE

Spacetalk Ltd. (ASX:SPA) ("Spacetalk" or "Company"), the Australian company that strives to bring the best wearables and software ecosystem to families around the world to advance child safety, development, and wellness, provides this update for the quarter ending 30 September 2022 ("1Q FY2023" or "1Q2023").

(Growth rates are compared to Q1 FY2022, the previous corresponding period, unless otherwise stated. Some percentage changes are impacted by rounding. All figures are in AU$ million.)



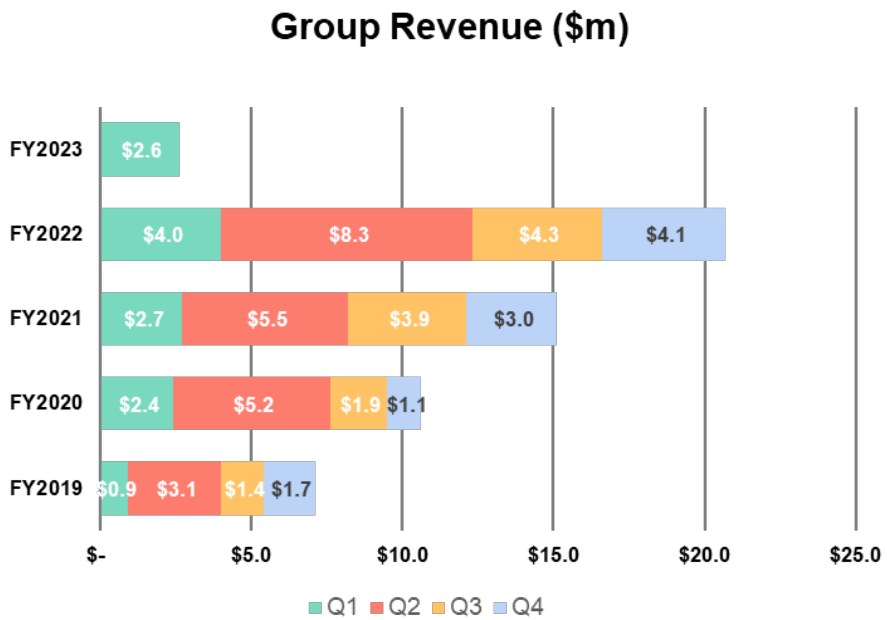


Financial Summary

Total Revenue $2.6m down 36%	Wearables Subscription Revenue[1] $1.0m, up 40%	Wearables Subscription Revenue ARR[2] $4.0m up 41%	Schools Business Revenue $0.4m up 11%
Wearables Business Revenue $2.2m down 41%	Wearables Device Revenue $1.2m down 60%	Gross Profit $1.5m down 39%	Gross Profit Margin 57% from 60%%
Cash at Bank as at 30 September 2022 $2.7 million			

Commentary

For the quarter ending 30 September 2022, Spacetalk achieved total revenue of $2.6 million, a 36% decrease on the prior corresponding period. While Spacetalk's core recurring revenue streams experienced strong growth, the principal cause of this decline was a comparative reduction in device sales due to a large UK 'in-fill' in order in 1Q2022.

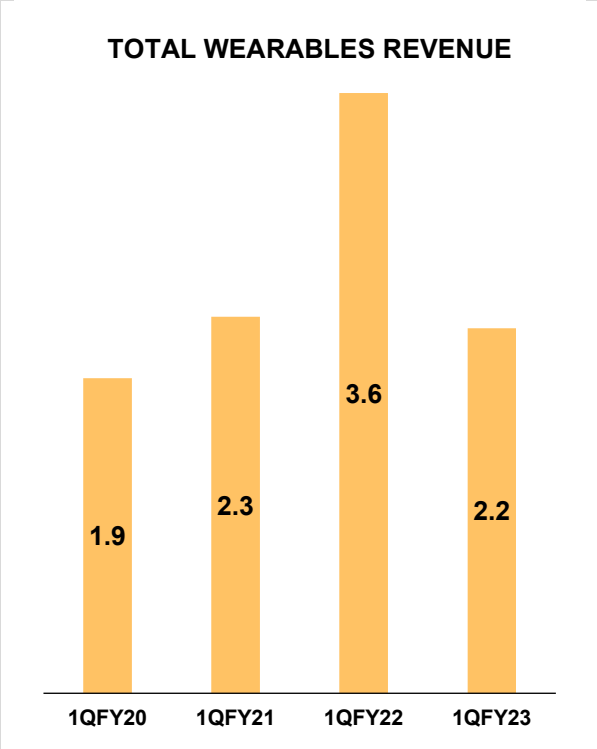


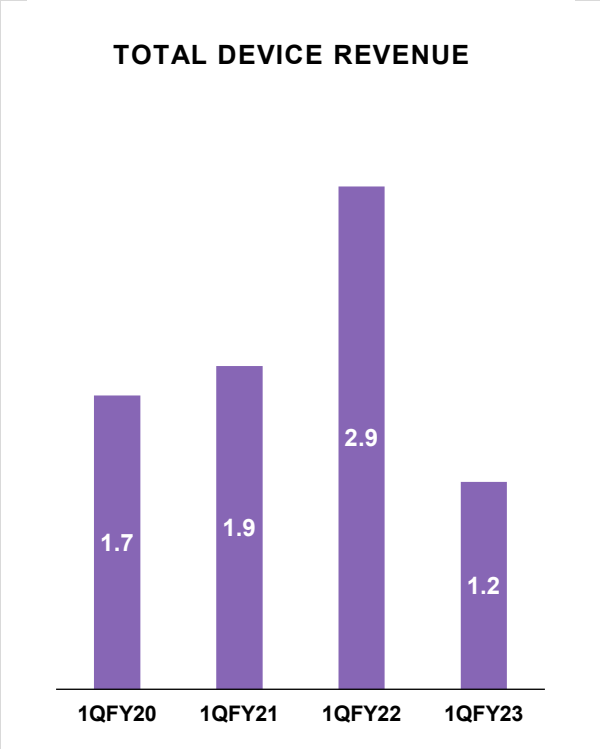
[1] Spacetalk Subscription Revenues are the combination of revenues from the Spacetalk App and JumpySIM.
[2] ARR = Annualised Recurring Revenue from Spacetalk's App and JumpySIM subscriptions calculated by multiplying last month's revenue by 12.

Encouragingly, Spacetalk's wearables subscription revenues (Spacetalk App plus JumpySIM) were $1.0 million, a 40% on the prior corresponding period. Similarly, wearables subscription Annualised Recurring Revenues (ARR) were an encouraging $4.0 million, up 41% on the prior corresponding period. These metrics validate the Company's strategy to enhance the value of its software ecosystem to focus on more recurring revenue generating services such as JumpySIM.

From a late June 2022 launch, JumpySIM US connections and renewals continue to improve in symbiosis with increasing device sales. It is estimated that 80-90% of US device sales convert to a JumpySIM service and currently, more than 50% of services are multi-month subscriptions supporting Spacetalk's working capital. JumpySIM's US service generates a gross margin of US$4-5 per month per user.

JumpySIM AU launched on 28 September and subscriber numbers have been promising with more than 50% subscriptions being for 12-months terms. Spacetalk Adventurer wearables with JumpySIM inside commenced channel entry last week which should accelerate the take up. JumpySIM AU generates an incremental gross margin, on top of the existing app fees, of AU$2-$3 per month per user.





The MGM schools business continues its steady performance recording $0.4m in revenue, an 11% increase on the prior corresponding period. Spacetalk has recently invested in increasing the attractiveness of its offering, seeking to ensure that the business continues to be strong net cash flow generator for the Company.

Overall, Spacetalk's total recurring service revenues (schools business plus wearables subscriptions) totalled $1.4m, a 30% increase on the prior corresponding period, representing 54% of total revenues in 1Q2023. Spacetalk continues to focus on increasing recurring service revenues.

Device revenues for the quarter were $1.2m, down 60% on the prior corresponding period. Key reasons for this decline include:

- 1Q2023 revenues were principally from '*re-fill*' sales as no new major distribution arrangements commenced. This contrasts to 1Q2022 revenues which benefited from a significant new distribution arrangement and an '*in-fill*' sale; and

- 1Q2023 revenues were offset by accounting for a backlog of device returns (from prior periods) and adjustments for competitive discounting, including to run out the Spacetalk Kids wearable device.

Boding additionally positive, subsequent to the conclusion of the quarter, Spacetalk entered into an arrangement with BestBuy US to range the (JumpySIM inclusive) Spacetalk Adventurer 'midnight' variant in over 600 BestBuy brick and mortar stores.

In October 2021, Spacetalk released a Spacetalk Adventurer Bonus Edition, JumpySIM included, which is expected to sell well.



Funding and Cash Position

As at 30 September 2021 the Company held cash of $2.7 million.

Pure Asset Management Loan and Covenants

As noted in Spacetalk's 2022 annual report, the Pure Asset Management loan agreement is subject to covenant clauses, whereby the Company is required to meet certain key financial ratios as at December 31, 2022.

Discussions with Pure Asset Management have commenced regarding these covenants and the loan facility.

Supply Chain and Inventory

Spacetalk did not experience any supply chain disruptions during 1Q2023.

The Company manages its supply chain and inventory risk by maintaining component buffers and inventories. Input expenses are managed with particular care due to intermittent supply disruptions, and more recently inflationary pressures emanating from global energy market volatility.

Litigation Settlement

Further to the Company's announcement of 26 July 2021, the employment termination proceedings commenced by Mr Ian Hume have been agreed to be discontinued. A token amount will be paid to Mr Hume.

Product Development and Innovation

During the quarter, Spacetalk also deployed a major new eco-system upgrade for the Spacetalk Adventurer kids wearable. This upgrade significant enhances the user experience and proposition, and provided:

- Market leading High-Definition Video Calling;
- Children Feelings and Wellness;
- Funny Sounds;
- Wi-Fi; and
- 3 additional languages (German, Dutch and Italian)

Development work on the 'Adventurer 2' continues.

Strategy and Leadership Transition

As prior advised on 7 October 2022, Mr Saurabh Jain was appointed Acting Chief Executive Officer and Managing Director pending a search for a new Chief Executive Officer. A search for a new Chief Financial Officer has also commenced.

The Spacetalk board has commenced a strategic review of the business. Acting CEO Saurabh Jain, working closely with the Board, is leading this review.

Cost savings of greater than $2.0 million per annum annualised have been identified with a view to be implemented in 2QFY2023. Further adjustments to the Company's revenue strategy, cost base and capital allocation policies are priorities.

This announcement has been authorized by the Spacetalk Board.

For more information, please contact:

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About Spacetalk Ltd.

Spacetalk Ltd. (ASX:SPA) is an Australian company that strives to bring the best wearables and software ecosystem to families around the world to advance child safety, development, and wellness.

The ASX-listed company is recognised globally as a leader in the connected wearables industry thanks to its unique proprietary ecosystem that keep families connected. This market-leading hardware and trusted, parent-controlled software platform enable children and families to experience the benefits of mobile technology securely and with confidence.

With the Spacetalk App, parents can prevent their children's' access to the open internet, social media and inappropriate adult content while blocking calls and messages from unknown senders. The app also keeps track of a child's location and is customisable so every feature can be enabled and disabled as needed.

Spacetalk's best-in-class software platform supports children's development by facilitating engaging, confidence-building experiences that the whole family can participate in and enjoy.

The Spacetalk smartphone-watch is a child's first mobile phone, offering all the benefits of a smartphone and operating on a secure, private and parent-controlled ecosystem that can be customised to reflect each family's needs and values. Together, the watches and software platform provide a complete digital communication solution that families can rely on at all times.

Spacetalk was founded in 2001 and listed on the ASX in 2003 as MGM Wireless Limited, which developed the world's first SMS student absence notification platform for schools and went on to become Australia's most successful school messaging company. On 12 November 2020 the Company changed its name to Spacetalk Ltd.

To learn more about the Spacetalk devices and app platform, and the Company, please visit: https://www.spacetalkwatch.com/. Investor Centre: https://investors.spacetalkwatch.com/.