SPACETALK LTD.

Annual Report

For the Year Ended 30 June 2021

SPACETALK

CONNECTED FAMILIES • CONFIDENT KIDS • SAFE SENIORS

Contents

SPACETALK

What we stand for

Connecting families

What we deliver

Smartphone watches purpose-built for kids and seniors, with software designed to enhance their independence while enabling guardians to ensure their safety and care.

What sets us apart

End-to-end design, engineering and product development, with software built in-house and IP created and owned. Tested, certified and ranged by global tier-1 Telcos (Telstra, O2, Virgin UK, Vodafone, Sky UK, Spark NZ) and retailers (1,288 bricks and mortar stores globally), meeting the highest standards of security and usability expected by parents, guardians and families and our partners.


9:41
Map
Josh
Sarah
Josh
Left School
Mum
Incoming call
SPACETALK
SPACETALK
2,248
15:20
Mum calling..
SPACETALK

FY2021 Financial Highlights

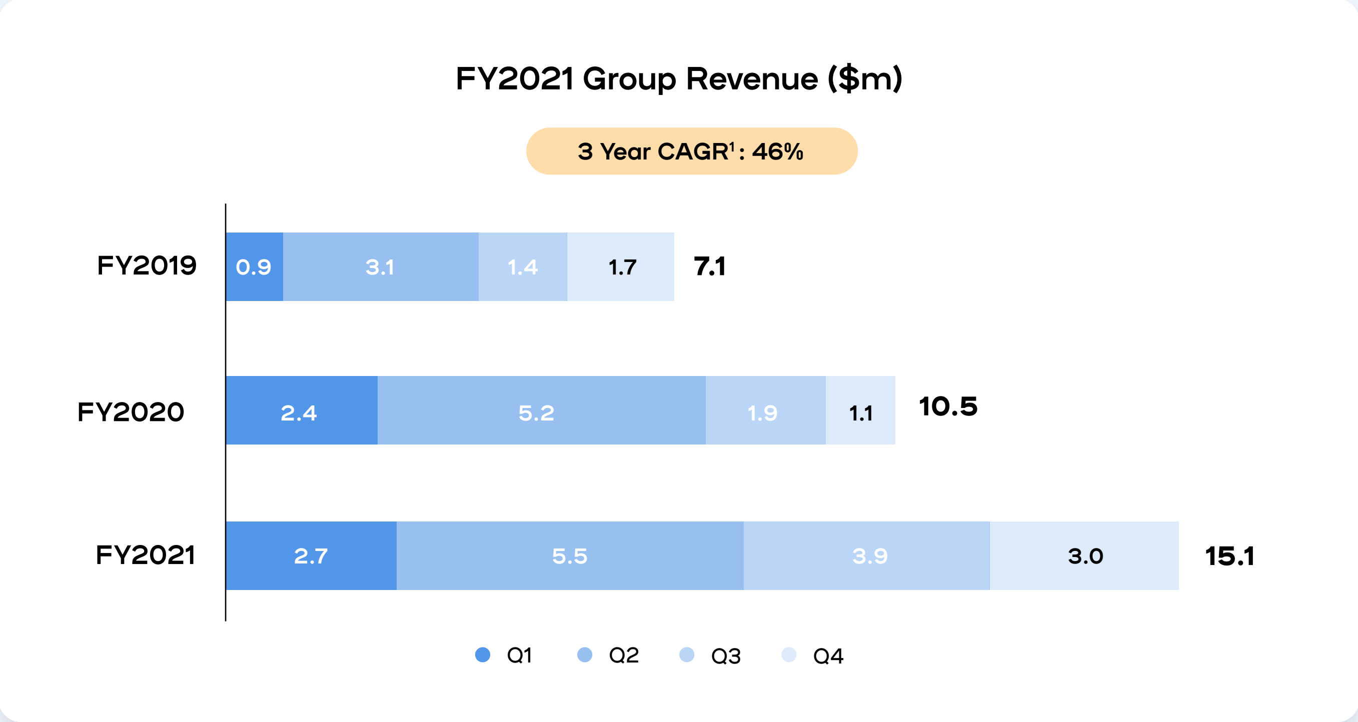
Group: Record performance, attributable to strong Device sales + App revenue

GROUP REVENUE

$15.1m

+44% pcp

FY2020: $10.5m



1 CAGR = Compound Annual Growth Rate.

WEARABLES REVENUE	▲ $12.7m	+65% pcp	FY2020: $7.7m
SCHOOLS REVENUE	▼ $2.2m	-18% pcp	FY2020: $2.7m
GROSS PROFIT	▲ $9.4m	+26% pcp	FY2020: $7.5m
GROSS PROFIT MARGIN	62%		
OPEX	▲ $8.2m	+8% pcp	FY2020: $7.6m
EBITDA	▲ $1.1m	+65% pcp	FY2020: -$0.21m

CASH AT BANK **$4.2m** AT 30 JUN 2021

FY2021 Wearables Summary

Wearables: Record sales, continued strong ARR[1] growth, expanded distribution, lower CAC[2]

DEVICE REVENUE
▲ $10.6m
+65% pcp
FY2020: $6.4m

APP REVENUE
▲ $2.2m
+76% pcp
FY2020: $1.2m

RETAIL STORES
▲ 1,288
+43% pcp
FY2020: 902

REVE
$12
▲+65

ENUE

.7m

% pcp

UNIT SALES

▲ +105%

ANZ +133% pcp

UK +11% pcp

APP ARR[1]

▲ $2.8m

+87% pcp

FY2020: $1.5m

CAC[2]

▲ $1.5m

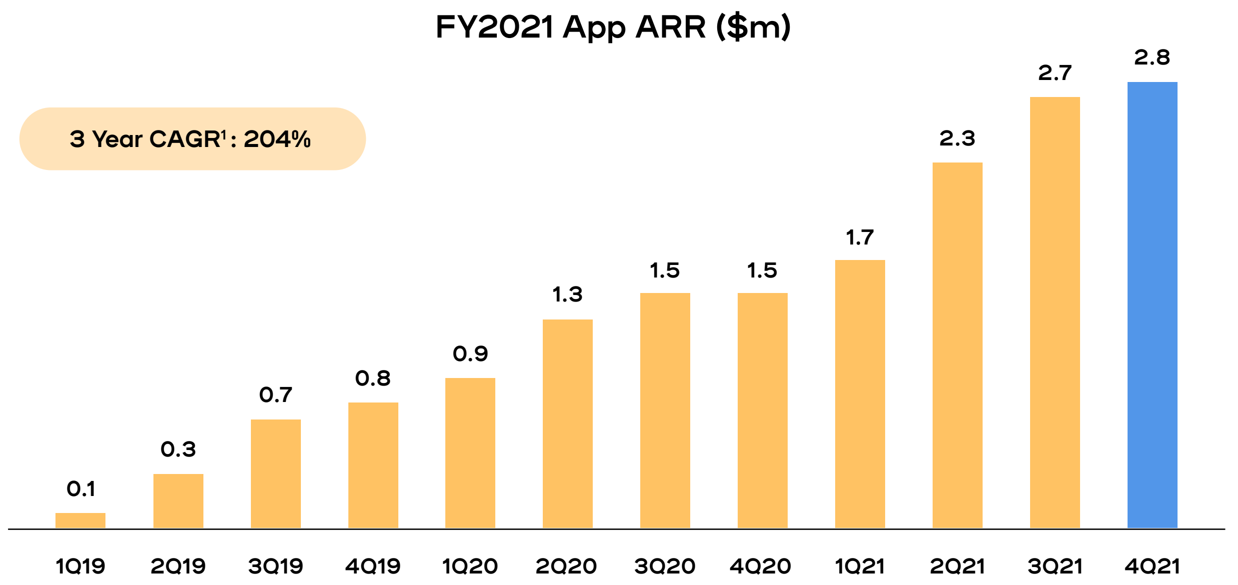
-12% pcp

FY2020: $1.7m

1. ARR = Annualised Recurring Revenue from Spacetalk App monthly subscriptions.
2. CAC = Customer Acquisition Cost = Advertising & Marketing Expenses

FY2021 Wearables - App

App: continued strong growth in ARR, greater user engagement, new and enhanced features



SPACETALK
App

NEW	**App launched in Dec-20**	• Replaced AllMyTribe App • iOS and Android compatible
NEW	**Functionalities beyond parental controls**	• Family Chat (with picture, video and audio sharing) • Fitness, health and wellbeing tracking - heart rate monitor, step counter, GPS, movement sensor • For or all connections except controlling App
FREE	**For all connections except controlling App**	

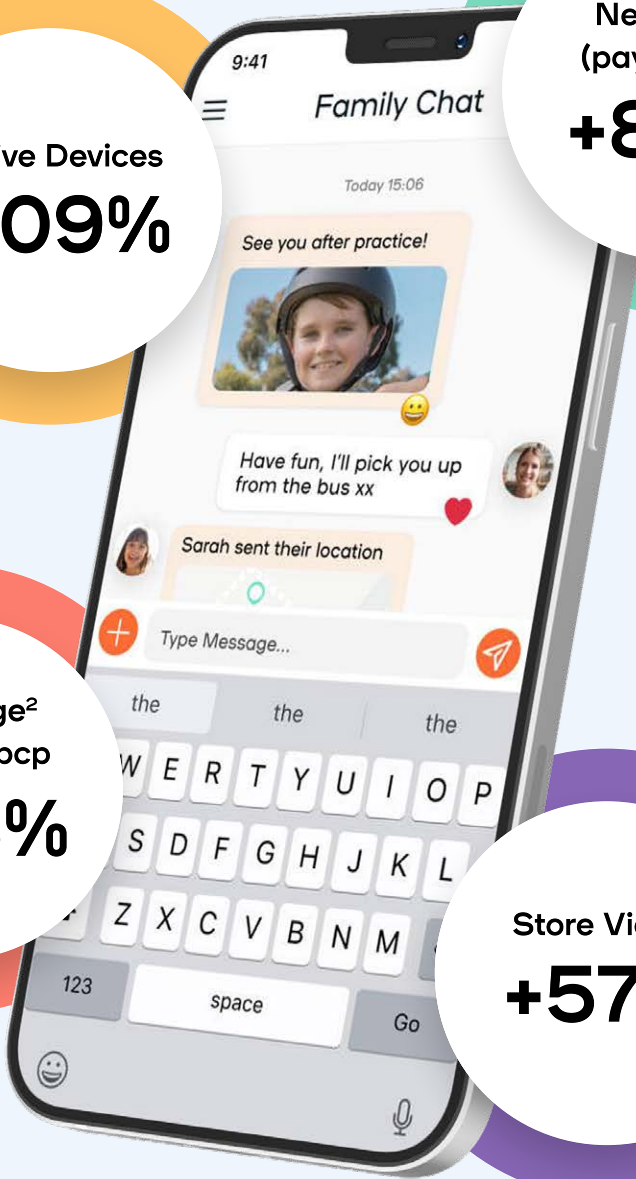
1 CAGR = Compound Annual Growth Rate.

Active Devices

+109%

New Users (paying) pcp

+80%



Avg Usage[2] (per day) pcp

+103%

Store Views[3]

+57%

4.5
user satisfaction rating

4.0
user satisfaction rating

2 Total user sessions over year.
3 Product page views.

FY21 Business Achievements

NEW Devices

NEW App

SPACETALK
Life

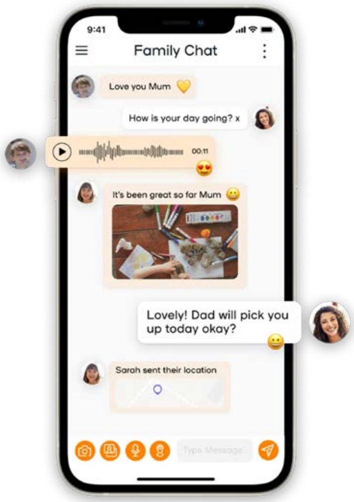
SPACETALK
Adventurer

SPACETALK
App

NEW Functionality

Family Chat

Group chat (and share recorded audio, videos and pictures) with other approved contacts in the secure and private Spacetalk ecosystem



Fall Detection

Real time data + AI[1] + machine learning

Continually enhancing its high accuracy in real time as more people use the devices

1 AI = artificial intelligence

NEW Countries

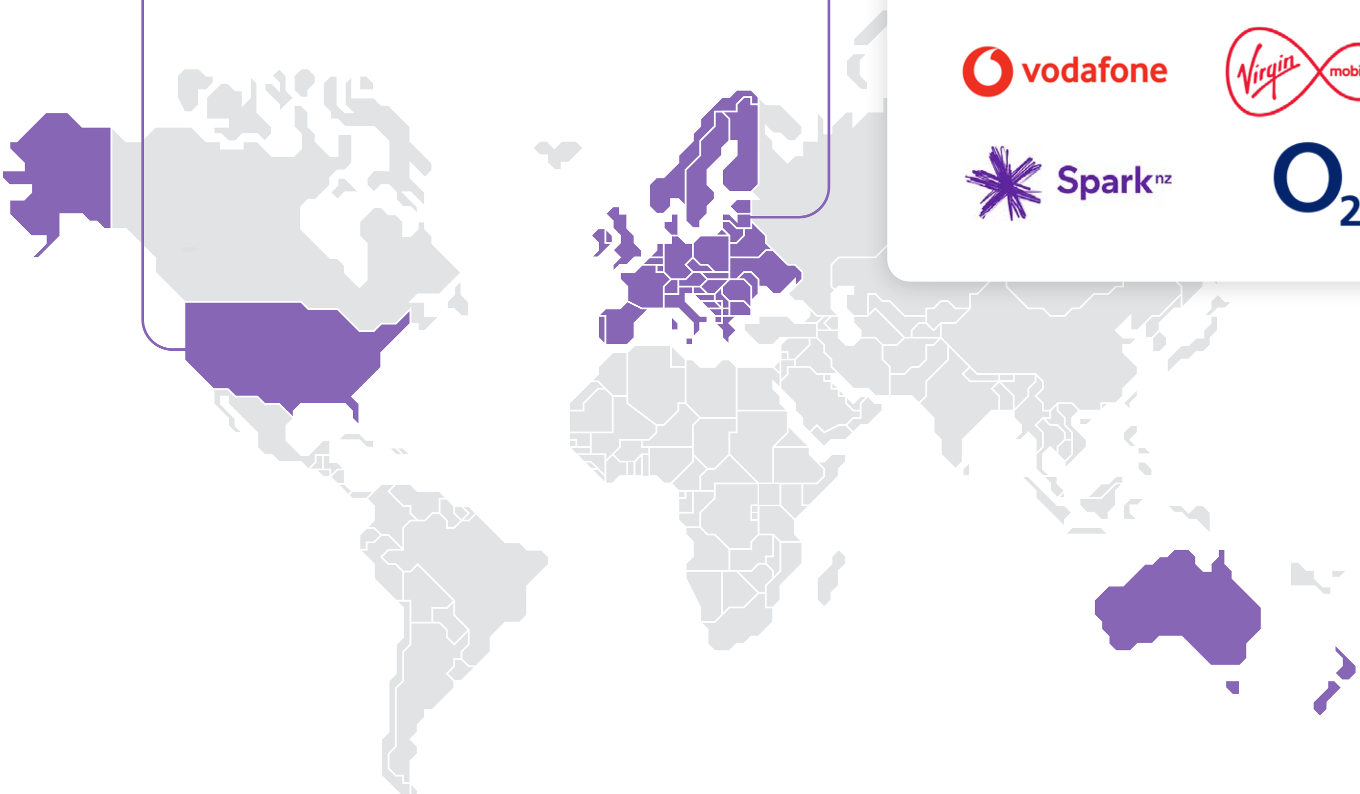
USA launch on-track for CY21. New Country Manager, logistics and distribution agreements being finalised, and customer services staff and operations management being onboarded

NEW

Partnerships with Major Global MNOs

Pan-Europe engagement with leading retailers and MNOs on new partnerships for device sales and content collaborations

TELSTRA | sky | vodafone | Virgin mobile | Spark nz | O2



1,288 stores

in ANZ and the UK

JB HI-FI | kogan.com | dick smith | Harvey Norman | THE GOOD GUYS | Officeworks | noel leeming | Currys PC World

Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the Spacetalk Ltd. ("Spacetalk" or "Company") Annual Report for the financial year ended 30 June 2021 ("FY21"). Thank you for your continued support and investment. This past year has been challenging for us all and we hope that you, your families, and communities continue to remain healthy and safe.

In spite of extraordinary circumstances, FY21 was a year of significant progress and achievement for Spacetalk. We advanced in our strategy to ensure we remain a global leader in this new, large and rapidly emerging category of kids smartphone watches.

Throughout the year, the Spacetalk team and business performed well. We are a bigger business, significantly better, stronger and well positioned to scale as this fast-growing category gains global awareness and heads towards mass market adoption.

Operationally and financially, we finished the year with excellent results and in a strong position.

FY21 in review

During FY21, we successfully launched new products into new markets all while navigating the challenges of COVID-19. This has resulted in the Company delivering strong financial results driven by device sales and growth in app-subscription revenue. The Company generated a record AU$15.1 million of revenue, up 44% for the year.

In the year, Spacetalk achieved significant advances in growing our device and App subscription business. This was enabled by our advances and release in product innovations, increasing brand and category awareness and customer adoption, successfully opening new distribution by tier-1 global retailers and mobile network operators, overlaid with falling customer acquisition costs.

Spacetalk's key business achievements in FY21 included:

Bringing two new devices to market - the next-generation Spacetalk ADVENTURER for kids and Spacetalk LIFE for seniors.
Launching new distribution partnerships with globally significant Mobile Network Operators, including Telstra and Vodafone in Australia, and Telefonica (O2) and Virgin Mobile in the UK. In all cases, Spacetalk is their sole or flagship product in the kids smartphone watch category.
Increasing our retail presence from 902 to 1,288 bricks and mortar stores globally.
Completing from ground up a new Spacetalk App, with new UI/UX[1] with engaging network effect features such as group Family Chat that supports picture and video sharing, advanced health and fitness, and enhanced parent controls.
Developing and deploying a ground-breaking, AI[2] and machine learning new technology fall detection capability for Spacetalk LIFE devices.

Spacetalk's key financial achievements in FY21 included:
Record Group Revenue +44% to $15.1 million.

Device Revenue +65% to $10.6 million.
App Revenue +76% to $2.2 million.
App Annualised Recurring Revenue ("ARR") +87% to $2.8 million.
Schools Business Revenue -18% to $2.2 million.
Gross Profit Margin of 62%. Group EBITDA (excluding non-cash options and share expenses) +615% to $1.1 million.

These results are testament to the tremendous commitment, talent, passion and hard work of the Spacetalk team. Together with our partners, we have delivered strong value to our customers with a best-in market offering distinguished by the following:

- We offer exceptional hardware and software that is built by us. We are not someone else's re-branded device and App. The in-house conception, design, development and roll-out of ground-breaking, quality world-class features totally distinguish Spacetalk devices and the Spacetalk App ecosystem from every other competitor. It highlights the uniqueness of our offering amongst other smartphone watch suppliers for kids and seniors.
- End-to-end, we own the intellectual property and technology. We own the device design, circuitry design, firmware, apps and servers. And of course, we own the brand. This end-to-end, integrated approach means we have the control and ability to build high quality technology and design standards that deliver well integrated, amazing user experiences that set us apart. This also provides other real competitive advantages such as the ability to move quickly to innovate, refine our product for international markets and broader mass market adoption, bring unique new products and features to market, and continuously improve our business model for greater commercial success.
- We uniquely benefit from nearly two decades of history as a leader in communication technologies for schools and families. This extensive experience brings an in-depth understanding of what families want and value in a kids wearable device, which is reliability to always remain confidently connected, data security and privacy to make sure their kids are safe, and no social media or open internet.

1 UI - user interface. UX - user experience.
2 AI - artificial intelligence.

To deliver on this, many complex issues are required to be addressed such as excellent mobile reception quality, high GPS accuracy, correct selection of chipsets, device and firmware/app software build quality, data security, sovereignty and privacy, compliance with government, regulatory and operator standards and much, much more.

Delivering on these, together with our outstanding marketing and branding support, gives our partners and customers great confidence and trust that they are engaging with a Company that truly knows what they are doing to ensure their commercial success can be relied upon and are experts in the field.

Our retail and distribution partners evaluate a great many devices, and it is more than our leading hardware and software which has made Spacetalk their first and, in most cases, sole offering in the fastest growing category of consumer electronics globally. It is the whole offering, or our brand as defined by our people, values and purpose which translates into what we build and how we engage with customers through our quality marketing, go to market execution and customer support.

Product Offering Expansion and Innovation

Spacetalk Adventurer, Original Kids and Life Devices

FY21 was marked by the launch of 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, ground up design, build and technology platform, that meets stringent global mobile operator standards, with exciting new features that deliver confidence and new ways of engagement for the child, enhanced controls for the parent, and new functionalities for the family to stay connected.

Our record revenue of $15.1 million (+44%) was underpinned by strong devices sales of $10.6 million (+65%) and App subscription revenue of $2.2 million (+76%), attributable largely to the expanded suite of devices being sold. Adventurer accounts for 41% of all unit sales in FY21 and now ranges as the sole and flagship offering of some of the world's largest Mobile Network Operators.

Spacetalk App

In December 2020, Spacetalk released the new Spacetalk App, replacing the AllMyTribe App. This new app supports all our devices and provides new engaging functionality beyond parental controls, including group Family Chat with pictures and video, advanced health and fitness, and enhanced parent controls. Family Chat is being particularly well used by our customers and is proving to be one of our most popular features.

Similar to other mobile message systems but with significant family security features, Spacetalk Family Chat enables young kids to use their Spacetalk devices to engage securely in group chat with family and friends, share pictures and voice files, all in a parent controlled and supervised manner. A 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, in turn growing brand awareness and the ability to acquire new users of Spacetalk devices.

Global Mobile Network Operator partnerships

In tandem with the introduction of the new Spacetalk products and world-leading technology, we engaged with some of the world-leading mobile network operations such as Telstra, Telefonica UK (O2), Virgin UK and Vodafone who all commenced ranging Spacetalk Adventurer as their flagship and launch kids smartphone watch offering.

The commitment of mobile network operators to Spacetalk is significant. Spacetalk's growing commercial track record of success, quality, strong brand, marketing expertise and people now gives mobile operators the confidence to invest and enter this category directly themselves, and through Spacetalk, create the awareness to position themselves as the 'go to' destination for consumers to purchase in this fast-growing new category.

Mobile operator technical device requirements, assessment and approval is exhaustive, covers thousands of different test scenarios, takes many months and requires many government, industry and regulatory approvals. It goes right down to chip level selection, where firmware and software development is geographically performed, sub technologies, systems and methods used, and many other stringent engineering and process requirements. It is an endorsement of the Spacetalk brand, quality, talent, design, reliability and security of our devices and App.

Spacetalk's success with mobile operators has driven wider acceptance globally by both operators and retailers that the kids smartphone watch category has now legitimately arrived. As news about Spacetalk spreads globally, the question most mobile operators and mass market retailers globally are asking themselves when contemplating entering the kids smartphone watch category is 'not if, but when'.

Notably, Spacetalk is the first and only offering in the smartphone watch category for most of our partner mobile operators. The business case for operators is strong. Currently, operators acquire new subscriber customers in their teenage years by selling them a smartphone. Now, Spacetalk enables mobile operators to responsibly acquire a new customer much earlier from the age of 5, earn revenue and profits from them until they reach their teens, and then upgrade the teenager from their Spacetalk watch into a smartphone, all in a low risk and proven way. Another strong business benefit for operators is that customer acquisition cost for Spacetalk is about 60% less than to acquiring the same customer when they are a teenager with a smartphone.

Spacetalk creates new subscriber and revenue growth for operators in a mature smartphone market, and where for every Spacetalk sale a valuable new subscriber opportunity is added to the operator's network that prior to Spacetalk did not exist.

For Spacetalk and our customers, mobile operator demanding testing and certification processes endorse our product quality and trust. Operator monthly plans make customer purchase more affordable and easier, and their huge brands create greater awareness and trust for our Spacetalk brand. Category awareness is also enhanced through leveraging the marketing engines and huge customer bases of these large global telcos.

Organisational Development

As a company, we are only as good as our people. We place a strong focus and invest in our people, culture, capabilities and guiding principles. Company headcount now exceeds 55 and we now have offices and staff across Australia, New Zealand, the United Kingdom, North America and Asia.

Corporate governance resourcing is in the process of being enhanced by expanding our current three Director Board to five Directors. The Board also intends to transition to an Independent Chair. The Board is seeking to expand the skills and experiences of Directors to support the Company through its next exciting phase.

Together, with our customers, our people and you, our shareholders, we look forward to our business continuing to thrive, scale and achieve our end goal of being the leading brand in this huge new global tech category when it matures.

Outlook and Objectives for FY2022

Spacetalk's value proposition is supported by four key pillars:

1. The global market opportunity for connected smart watch phone devices for kids and seniors;
2. Our multi-product, global and customer category offering;
3. Being a leading brand in the niche for children and seniors; and
4. Our continuing sales traction, brand and partner validation.

Our business model is built upon end-to-end design and development of quality products for families with a strong brand that delivers customer and revenue growth through extensive but targeted world class marketing and distributorship agreements with market-leading retailers and mobile network operators.

Our focus is firmly on growth in customers and revenue.

FY22 commenced strongly with O2 and Virgin UK successfully launching in August 2021. The Spacetalk Adventurer continues to gain market share globally with increased distribution, awareness and sell-through, and is consolidating its position as the leading connected kids wearable brand. The Company is also working with several National Disability Insurance Scheme ("NDIS"), aged care and home care service providers to pilot a mass market, scalable go-to-market strategy to enable over 39,000 Aged Care and NDIS service providers in Australia to promote and sell Spacetalk LIFE to their clients.

Pan-European dialogues are being progressed for launches with new bricks and mortar retail and mobile network operators. We are also making progress towards our launch in North America, which is on track for this calendar year. To support this launch, logistics, distribution and retailer agreements are being finalised, and customer service, sales, logistics and operations staff are being onboarded in our new offices in Dallas Texas.

The Board is of the view that given the strong growth and progress of the Company, the Board is intending to strengthen its corporate governance capacity. This includes expanding our Board to 5 Directors, including an Independent Chair to help guide the Company through its next exciting phase. Spacetalk's growth and global opportunity necessitates more resources, additional skills and experiences to complement current directors.

The Company is also committed to the following objectives for FY22:

Growing our top line revenue with our expanded product suite and channels - bricks and mortar retail, mobile operators and new geographies.

Expanding Spacetalk LIFE distribution to a B2B2C[3] model, where we are witnessing strong interest from aged care and home care providers.

Ongoing advancement in our Spacetalk ecosystem through new and engaging functionality, multi-language support and creating new subscription services.

Expanding our global market penetration in North America, UK, pan-Europe and ANZ.

Improving operating cost efficiencies as we grow, with the aim of acquiring new customers at a lower cost as we scale, while also maintaining our disciplined approach to capital management.

Conclusion

On behalf of the Spacetalk Board, I thank you, our shareholders, for your ongoing support as we continue to scale and capture global market opportunities. We are also thankful for the continued commitment of the Spacetalk Executive Management team and employees around the world for your achievements in what has been both a challenging and rewarding year.

Everything we have achieved has been achieved together and has only been made possible by your hard work, passion, talent and dedication. We are also enormously grateful to our customers, business partners and distributors for their continued support throughout the year.

Together, with your ongoing investment and support, we will continue to navigate through these disruptive but hugely promising times. We are only at the beginning of very large, global, kids connected wearables revolution, where one day, most children all over the world will be wearing a connect device on their wrist. Our aim is to make sure that device is Spacetalk.

With your continued patronage and support, we look forward to delighting many more customers with our products for years to come. Thank you

MARK FORTUNATOW
CHAIRMAN.

3 B2B2C - Business to Business to Consumer.

Corporate Directory

Registered Office	Suite 13, The Parks 154 Fullarton Road Rose Park SA 5067 Australia
Principal Office	Suite 13, The Parks 154 Fullarton Road Rose Park SA 5067 Australia **Telephone:** +61 (08) 8104 9555 **Facsimile:** +61 (08) 8431 2400 www.spacetalkwatch.com
Other Offices	Level 8, 699 Collins Street Dockland, Victoria 3008 Australia Office 9, Business First Burnbrae Rd, Linwood Industrial Estate Paisley PA3 3FP United Kingdom Suite 250 450 Century Parkway Allen, Texas 75013 USA
Auditor	Ian G McDonald **Telephone:** +61 (0)419 620 906
Share Registry	Computershare Investor Services Pty Ltd Level 5 115 Grenfell Street Adelaide SA 5000 Australia **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. present their annual report of the Company and its controlled entities for the financial year ended 30 June 2021. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names of the Directors of the Company in office during the financial year and up to the date of this report are as follows:

Directors were in office for the entire year unless otherwise stated.

MARK FORTUNATOW

MARTIN PRETTY

BRANDON GIEN

LEILA HENDERSON (ceased 31 October 2020)

GLEN BUTLER (ceased 31 October 2020)

Information on Directors

MARK FORTUNATOW B.SC.(MA.SC.) B.EC.

EXECUTIVE CHAIRMAN

Executive Chairman Mark Fortunatow is the co-founder and Chief Executive Officer of Spacetalk and the Company's founding business MGM Wireless. A seasoned technology entrepreneur, he brings more than 30 years of experience in leadership and vision to grow successful and innovative technology companies. He brings software and product innovation, sales, marketing and operational expertise to the Company.

Mr Fortunatow previously founded three successful technology-based enterprises; Linx Computer Systems (developer and marketer of financial software), Timekeeping Australia (a leader in the Australian workforce management market) and Netline Technologies (voice based mobile internet solutions), accumulating substantial practical experience in the many disciplines required to successfully launch and sustainably grow a successful technology enterprise.

He holds a degree of Bachelor of Science (Ma.Sc.) and Bachelor of Economics from Adelaide University. Mr Fortunatow has been a director since July 2001 and has held no other directorships in listed companies in the last 3 years.

MARTIN PRETTY

NON-EXECUTIVE DIRECTOR

Mr Pretty 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 finance journalist with The Australian Financial Review and is currently the managing director of boutique investment firm, Equitable Investors, and a non-executive director of ASX-listed financial services group Centrepoint Alliance (ASX:CAF) and Scout Security (ASX:SCT). Mr Pretty holds a Bachelor of Arts (Honours) from The University of Melbourne, a Graduate Diploma of Applied Finance from Finsia, is a CFA charter holder and a Graduate of the Australian Institute of Company Directors.

DR BRANDON GIEN

NON-EXECUTIVE DIRECTOR

Dr Gien has over 25 years' Industrial Design experience and is internationally recognised as the Founder and CEO of Good Design Australia, Chair of Australia's annual Good Design Awards and Deputy Chair of the Australian Design Council. As an advocate for the value of design-led innovation to drive business competitiveness, Dr Gien has been appointed to multiple international honorary board positions throughout his career.

In 2015, Dr Gien was appointed as Senator of the World Design Organization (WDO), the world body for Industrial Design. He was a member of the Board of Directors for three consecutive terms and elected President of the organisation from 2013 to 2015, the first Australian to hold this position.

He is currently an Adjunct Professor of Industrial Design at both the University of New South Wales and the University of Canberra and holds a PhD in Environmental Design from the University of Canberra's School of Design and Architecture. He studied Mechanical Engineering at the University of Newcastle where he later graduated with a Bachelor's Degree in Industrial Design.

Information on Directors

LEILA HENDERSON

NON-EXECUTIVE DIRECTOR

A journalist and technology PR and Marketing specialist, Ms Henderson founded media technology business NewsMaker in 2004, building it to a subscription base of over 20,000 marketing professionals. She is also Co-founder and Director of software start-up Ofreddi Pty Ltd (t/a Kondotto) and a Director of Insurance and Membership Services (IMS) Limited (COTA Insurance) and Green Industries SA.

Ms Henderson is a Fellow of the New Venture Institute at Flinders University and an investor in the SouthStart Accelerate incubator. In 2014 she was awarded the Information Technology Prize from Women in Innovation (SA).

Her journalism career spanned three continents, culminating in a seven-year stint as an IT and business journalist with News Limited. She has worked in editorial management roles for major publishers such as IPC in London, Toronto Star Group in Canada; and Fairfax Magazines, Australian Consolidated Press and Reader's Digest Group in Australia.

As a Public Relations practitioner with significant international experience, she has worked in Australia, North America and the United Kingdom, including as PR advisor to IBM and the South Australian Government.

Ms Henderson was a Director from 7 July 2014 until 31 October 2020.

GLEN BUTLER

NON-EXECUTIVE DIRECTOR

Mr Butler is an experienced senior executive with a strong focus on sales, finance and manufacturing on an international level.

His previous roles include President of Pratt Industries, Inc. (Visy) in the United States, General Manager of Visy Board in Australia, COO Mariani USA and Managing Director of Mariani Europe, the largest private dried fruit company in the US.

Mr Butler was a Director from 31 August 2017 until 31 October 2020.

JUSTIN NELSON LLB, BA (JUR), GradDip ACG

GENERAL COUNSEL AND COMPANY SECRETARY

Mr Nelson has over 20 years experience working closely with ASX listed entities. He is a corporate and commercial lawyer and was a former state manager with the ASX.

He was appointed General Counsel and Company Secretary in January 2020.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The following table sets out each director's relevant interest in shares and options of the Company as at the date of this Report:

DIRECTOR	Mark Fortunatow	Martin Pretty	Brandon Gien	Leila Henderson	Glen Butler
ORDINARY FULLY PAID SHARES	17,612,800	437,888	128,571	450,000	500,000
OPTIONS - EXP 30 APRIL 2022 EXERCISE PRICE $0.60	1,300,000	-	-	400,000	400,000
OPTIONS - EXP 30 APRIL 2022 EXERCISE PRICE $0.80	1,500,000	-	-	-	-
OPTIONS - EXP 30 APRIL 2022 EXERCISE PRICE $1.00	1,500,000	-	-	-	-
OPTIONS - EXP 30 APRIL 2023 EXERCISE PRICE $0.90	1,250,000	-	-	50,000	-
OPTIONS - EXP 30 APRIL 2023 EXERCISE PRICE $0.70	1,250,000	-	-	50,000	-
INCENTIVE RIGHTS - EXP 1 DECEMBER 2023	5,000,000	500,000	500,000		

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Information about the remuneration of directors and key management personnel is set out in the remuneration report of this directors' report on pages 24 to 29.

Corporate Information

Corporate Structure

Spacetalk Ltd. is a limited liability company that is incorporated and domiciled in Australia. Spacetalk Ltd. has prepared consolidated financial statements incorporating the entities that it controlled during the financial year as follows:

ENTITY	DETAILS
Spacetalk Ltd.	Parent entity
MGM Wireless Holdings Pty Ltd	100% owned controlled entity
Messageyou LLC	100% owned controlled entity
MGM Wireless (NZ) Pty Ltd	100% owned controlled entity
Spacetalk Holdings Pty Ltd	100% owned controlled entity
Spacetalkwatch UK Ltd	100% owned controlled entity
Spacetalk Inc.	100% owned controlled entity
Spacetalk LLC.	100% owned controlled entity
Spacetalk USA Pty Ltd	100% owned controlled entity

In August 2020, Spacetalk Pty Ltd was renamed as Spacetalk Holdings Pty Ltd.

Nature of Operations and Principal Activities

The consolidated entity's principal continuing activity during the course of the financial year was development and sales of wearables, including the market leading SPACETALK all-in-one mobile phone smartwatch and GPS, and as single source provider of mobile communications solutions.

Operating Results

The amount of the total comprehensive loss attributable to members of the Company after income tax was $1,792,029 (2020: loss of $4,269,937).

Significant Changes in the State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review, not otherwise disclosed in these financial statements and Directors' report.

Events Subsequent to the End of the Financial Year

On 10 September 2021 the company drew down the second tranche of the loan facility for $2 million.

There has not been any other matter which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

Likely Developments

Comments on likely developments and expected results have been covered generally herein.

The Company is actively pursuing various opportunities to grow revenue including new product development and alliances with other companies.

Disclosure of more specific information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity, the results of those operations, and/or the state of affairs of the consolidated entity in future financial years.

Dividends

No dividends have been declared in respect of the 2021 financial year (2020: Nil).

Shares Under Option or Issued on Exercise of Options

Details of unissued shares or interests under option as at 30 June 2021 are:

ISSUING ENTITY	Number of Shares Under Option	Class of Shares	Exercise Price of Options	Expiry Date of Options
Spacetalk Ltd	20,000	Incentive rights	$0.00	11/07/2021
Spacetalk Ltd	75,000	Incentive rights	$0.00	20/07/2021
Spacetalk Ltd	100,000	Incentive rights	$0.00	01/08/2021
Spacetalk Ltd	200,000	Incentive rights	$0.00	15/08/2021
Spacetalk Ltd	47,500	Incentive rights	$0.00	30/08/2021
Spacetalk Ltd	60,000	Incentive rights	$0.00	11/09/2021
Spacetalk Ltd	75,000	Incentive rights	$0.00	20/01/2022
Spacetalk Ltd	7,500	Incentive rights	$0.00	28/02/2022
Spacetalk Ltd	45,000	Incentive rights	$0.00	09/06/2022
Spacetalk Ltd	5,000	Incentive rights	$0.00	31/08/2022
Spacetalk Ltd	60,000	Incentive rights	$0.00	11/09/2022
Spacetalk Ltd	60,000	Incentive rights	$0.00	11/09/2023
Spacetalk Ltd	50,000	Incentive rights	$0.00	12/08/2021
Spacetalk Ltd	150,000	Incentive rights	$0.00	11/08/2022
Spacetalk Ltd	25,000	Incentive rights	$0.00	17/03/2023
Spacetalk Ltd	150,000	Incentive rights	$0.00	11/08/2023
Spacetalk Ltd	150,000	Incentive rights	$0.00	11/08/2024
Spacetalk Ltd	200,000	Incentive rights	$0.00	30/10/2021
Spacetalk Ltd	100,000	Incentive rights	$0.00	30/06/2022
Spacetalk Ltd	100,000	Incentive rights	$0.00	30/06/2023
Spacetalk Ltd	100,000	Incentive rights	$0.00	31/12/2021
Spacetalk Ltd	250,000	Incentive rights	$0.00	30/10/2021
Spacetalk Ltd	200,000	Incentive rights	$0.00	30/10/2022
Spacetalk Ltd	50,000	Incentive rights	$0.00	30/07/2021
Spacetalk Ltd	50,000	Incentive rights	$0.00	30/06/2022
Spacetalk Ltd	50,000	Incentive rights	$0.00	31/12/2021
Spacetalk Ltd	20,000	Incentive rights	$0.00	17/02/2023
Spacetalk Ltd	20,000	Incentive rights	$0.00	17/02/2023
Spacetalk Ltd	30,000	Incentive rights	$0.00	17/02/2023
Spacetalk Ltd	50,000	Incentive rights	$0.00	17/03/2023
Spacetalk Ltd	5,000,000	Incentive rights	$0.00	01/12/2023
Spacetalk Ltd	500,000	Incentive rights	$0.00	01/12/2023
Spacetalk Ltd	500,000	Incentive rights	$0.00	01/12/2023
Spacetalk Ltd	20,000	Incentive rights	$0.00	17/02/2023
Spacetalk Ltd	200,000	Incentive rights	$0.00	01/05/2023
Spacetalk Ltd	50,000	Incentive rights	$0.00	17/03/2023
Spacetalk Ltd	400,000	Options	$0.60	30/04/2022
Spacetalk Ltd	400,000	Options	$0.60	30/04/2022
Spacetalk Ltd	1,300,000	Options	$0.60	30/04/2022
Spacetalk Ltd	1,500,000	Options	$0.80	30/04/2022
Spacetalk Ltd	1,500,000	Options	$1.00	30/04/2022
Spacetalk Ltd	1,300,000	Options	$0.70	30/04/2023
Spacetalk Ltd	1,300,000	Options	$0.90	30/04/2023
Spacetalk Ltd	2,000,000	Options	$0.55	30/06/2022
Spacetalk Ltd	2,000,000	Options	$0.65	30/06/2022
Spacetalk Ltd	1,000,000	Options	$0.55	30/06/2022
Spacetalk Ltd	1,000,000	Options	$0.65	30/06/2022
Spacetalk Ltd	11,000,000	Warrant	$0.30	48 months from loan utilisation

The holders of these options do not have the right, by virtue of the option to participate in any share issue or interest issue of the Company or any other body corporate.

There were 5,800,000 ordinary shares under option (2020: 1,700,000). Of the 5,800,000 ordinary shares under option, 5,500,000 had an exercise price of $0.40 and 300,000 had an exercise price of $0.11 which expired during the year.

There were no ordinary shares issued during or since the end of the financial year as a result of the exercise of options (2020: 100,000).

MEETINGS OF DIRECTORS

The attendance of Directors at the meetings of the Company's Board of Directors held during the year is as follows:

DIRECTOR	Number of Meetings Held whilst in office	Number of meetings Attended
M Fortunatow	8	7
G Butler	3	3
L Henderson	3	3
M Pretty	8	8
B Gien	8	8

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Spacetalk Ltd. and its Controlled Entities (`the Group') have adopted the fourth edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council in February 2019 and became effective for financial years beginning on or after 1 January 2020.

The Group's Corporate Governance Statement for the financial year ending 30 June 2021 is dated as at 29 September 2021 and was approved by the Board on 29 September 2021. The Corporate Governance Statement is available on Spacetalk Ltd's website at www.spacetalkwatch.com/investors-centre/corporate-governance.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary Mr J Nelson, and all executive officers of the Company and any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

ENVIRONMENTAL REGULATION

The Company's operations are not regulated by any significant environmental regulation under a Law of the Commonwealth or of a State or Territory.

LEGAL PROCEEDINGS

The Company is a party to proceedings in the Federal Circuit Court of Australia in connection with the employment termination of a former employee. The proceedings were served on the Company on 26 July, 2021.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 29 of the financial statements.

The Board of Directors is satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

1. All non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
2. The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

No non-audit services have been provided by the Auditor or by another person on the Auditor's behalf during the year.

AUDITOR'S DECLARATION OF INDEPENDENCE

The Auditor's independence declaration for the year ended 30 June 2021 has been received and is included on page 32.

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the directors' report, details the nature and amount of remuneration for each Director and other key management personnel of Spacetalk Ltd. The information provided in the remuneration report includes remuneration disclosures that are audited as required by section 308(3C) of the Corporations Act 2001.

For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the group, directly or indirectly, including any director of the parent company.

In respect of the remuneration policy, last voted upon by shareholders at the 2020 AGM, more than 25% of the votes were cast against this resolution, constituting a first strike for the purposes of the *Corporations Act 2001* (Cth).

In response to the first strike, the Board has consulted with shareholders and obtained independent external advice. As a result, the Board has taken the following action in respect of the 2021 financial year:

- There has been no change to the fixed remuneration of the Chief Executive Officer.[1]
- There will be no new award of performance rights to Directors under the Company's LTIP, and as such there will be no LTIP resolution to be voted on by shareholders at the 2021 Annual General Meeting.
- There has been no change to the directors' fees of the non-executive directors.

As noted in the Chairman's report, corporate governance resourcing is in the process of being enhanced by expanding our current three Director Board to five Directors. The Board also intends to transition to an Independent Chair. The Board is seeking to expand the skills and experiences of Directors to support the Company through its next exciting phase.

REMUNERATION COMMITTEE

The full Board carries out the role and responsibilities of the Remuneration Committee and is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the Chief Executive Officer and any executives. Directors are not involved in deciding their own remuneration.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative remuneration and internal and independent external advice.

A. REMUNERATION POLICY

The board policy is to remunerate directors at market rates for time, commitment and responsibilities. The Board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Directors are not involved in deciding their own remuneration. The maximum aggregate amount of Directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for non-executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholders' interests, the Directors are encouraged to hold shares in the Company.

The executive Directors and full time executives receive a superannuation guarantee contribution required by the government, which is currently 10%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

The Company paid a performance-based component of remuneration during the year, in the form of incentive rights.

B. REMUNERATION STRUCTURE

NON-EXECUTIVE DIRECTOR COMPENSATION

OBJECTIVE

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

STRUCTURE

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as appropriate as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process. Non-Executive Directors' remuneration may include an incentive portion consisting of performance rights, as considered appropriate by the Board, subject to Shareholder approval in accordance with ASX listing rules.

Separate from their duties as Directors, the Non-Executive Directors undertake work for the Company directly related to the evaluation and implementation of various business opportunities for which they receive a daily rate. These payments are made pursuant to individual agreements with the non-executive Directors and are not taken into account when determining their aggregate remuneration levels.

EXECUTIVE COMPENSATION

OBJECTIVE

The Board aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for Company and individual performance against targets set by appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure total compensation is competitive by market standards.

STRUCTURE

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and its operations and financial affairs, the use of a separate remuneration committee has not been considered appropriate. Remuneration is regularly compared with the external market by particpation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

1 The Chief Executive Officer took a voluntarily 20% pay reduction in 2020. This was restored in 2021.

Remuneration consists of a fixed remuneration and an incentive portion as considered appropriate. Compensation may consist of the following key elements:

- Fixed Compensation;
- Variable Compensation;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

FIXED REMUNERATION

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the information technology sector and external advice. The fixed remuneration is a base salary or monthly consulting fee.

VARIABLE PAY — LONG TERM INCENTIVES

The objective of long term incentives is to reward Directors / executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The incentive portion is payable based upon attainment of objectives related to the Director's / executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Company's business and financial performance and thus to shareholder value.

Long term incentives (LTIs) granted to Directors / executives are delivered in the form of performance rights.

These rights are issued at an exercise price determined by the Board at the time of issue. The employee performance rights generally vest over a selected period and have a zero exercise price.

The objective of the granting of performance rights is to reward Executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such LTI's are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

The level of LTI granted is dependent on the seniority of the Executive, and the responsibilities the Executive assumes in the Company.

Typically, the grant of LTIs occurs at the commencement of employment or in the event that the individual receives a promotion.

C. EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES

The employment arrangements of the non-executive Directors are formalised in a letter. The Chief Executive Officer's terms of appointment are sert out in a service contract. .

D. DETAILS OF REMUNERATION FOR YEAR

DIRECTORS

The following persons were Directors of Spacetalk Ltd. during the financial year:

Mark Fortunatow	Chairman (executive)
Martin Pretty	Director (non-executive)
Brandon Gien	Director (non-executive)
Leila Henderson	Director (non-executive)
Glen Butler	Director (non-executive)

EXECUTIVES

There were no other persons that fulfilled the role of a key management person, other than those disclosed as Directors.

E. THE RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

	30/06/2021	30/06/2020	30/06/2019	30/06/2018	30/06/2017
Revenue	15,121,573	10,486,518	7,142,148	2,744,102	2,626,617
Net profit/(loss) before tax	(2,435,719)	(5,271,345)	(5,644,342)	(1,765,009)	(986,127)
Net profit/(loss) after tax	(1,780,148)	(4,265,452)	(4,688,679)	(1,129,935)	(533,799)
	30/06/2021	**30/06/2020**	**30/06/2019**	**30/06/2018**	**30/06/2017**
Share price at start of year	0.14	0.33	0.22	0.05	0.07
Share price at end of year	0.16	0.14	0.33	0.22	0.05
Interim dividend			-	-	-
Final dividend			-	-	-
Basic earnings/(loss) cents per share	(1.09)	(3.10)	(3.88)	(11.71)	(6.15)
Diluted earnings/(loss) cents per share	(1.03)	(3.03)	(3.67)	(11.71)	(6.15)

REMUNERATION

Details of the remuneration of each Director and named executive officer of the Company, including their personally-related entities, during the year was as follows:

Director Remunertion 2021	Mark Fortunatow	Leila Henderson	Glen Butler	Brandon Gien	Martin Pretty
Short term - Salary & Fees[1]	457,715[2]	9,828	-	27,300	27,300
Post employment - Superannuation	41,746	933	-	2,489	2,489
Leave Entitlements & Cashouts	-	-	-	-	-
Benefits & Entitlements	86,459	-	-	-	-
Fees paid to related entities	-	-	6,000	24,000	4,794
Share-based - Options (i)	124,771	-	-	12,477	12,477
Total	710,691	10,761	6,000	66,266	47,060
% of remuneration share-based	18%	0%	0%	19%	27%

2020	Mark Fortunatow	Leila Henderson	Glen Butler	Brandon Gien	Martin Pretty
Short term - Salary & Fees[1]	397,846	20,100	-	-	-
Post employment - Superannuation	75,284	-	-	-	-
Leave Entitlements & Cashouts	394,620	-	-	-	-
Benefits & Entitlements	84,940	-	-	-	-
Fees paid to related entities	-	25,950	44,393	18,000	-
Share-based - Options (i)	654,970	26,198	-	-	-
Total	1,607,660	72,248	44,393	18,000	-
% of remuneration share-based	41%	36%	0%	0%	0%

(i) Performance rights were granted to key management personnel at the 2020 Annual General Meeting. Options were granted to key management personnel at the 2019 Annual General Meeting. The value of the options and rights granted to key management personnel as part of their remuneration is calculated as at the grant date using a binomial pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

There were no other key management personnel of the Company at any time during the year. There were no performance related payments made during the year.

The weighted average share price during the year was $0.11 (2020: $0.04).

The average remaining contractual life of options outstanding for each Director at the end of the financial year was 1.12 years (2020: 2.11).

1 Reflects both fixed remuneration and Board fees.
2 The Chief Executive Officer's fixed remuneration has not changed since 2019. The Chief Executive Officer took a voluntary short term remuneration reduction in 2020 in consideration of COVID19 disruptions. The Chief Executive Officer's fixed remuneration returned to its 2019 level for 2021.

During the financial year, the following share based payment arrangements were in existence:

Name	Grant Date	Expiry Date	Grant Date Fair Value	Vesting Date
Mark Fortunatow	10/12/18	30/4/22	$0.42	Vests at date of grant
Mark Fortunatow	10/12/18	30/4/22	$0.42	Vests at date of grant
Mark Fortunatow	10/12/18	30/4/22	$0.41	Vests at date of grant
Lelia Henderson	10/12/18	30/4/22	$0.43	Vests at date of grant
Glen Butler	10/12/18	30/4/22	$0.43	Vests at date of grant
Mark Fortunatow	18/12/19	30/4/23	$0.33	Vests at date of grant
Lelia Henderson	18/12/19	30/4/23	$0.33	Vests at date of grant
Mark Fortunatow	2/12/20	1/12/23	$0.13	Vest on 1/12/23
Martin Pretty	2/12/20	1/12/23	$0.13	Vest on 1/12/23
Brandon Gien	2/12/20	1/12/23	$0.13	Vest on 1/12/23

There is no further service or performance criteria that need to be met in relation to options granted before the beneficial interest vests in the recipient. These options are not linked to the performance of the individual.

There were no options granted during the year to Directors or executives. There were no options previously granted to Directors and executives which lapsed during the year. There were 6,000,000 performance rights granted during the year to Directors.

No loans were provided to key management personnel during the financial year.

The following table outlines the fully paid ordinary shares held by key management personnel in Spacetalk Ltd:

Name	Balance at 1 July	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June
2021	**No.**	**No.**	**No.**	**No.**	**No.**
Mark Fortunatow	17,333,730	-	-	279,070	17,612,800
Leila Henderson	450,000	-	-	-	450,000
Glen Butler	590,000	-	-	-	590,000
Martin Pretty	219,270	-	-	218,618	437,888
Brandon Gien	128,571	-	-	-	128,571

Name	Balance at 1 July	Granted as compensation	Received on exercise of options	Addition shares on share split	Net other change	Balance at 30 June
2020	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**
Mark Fortunatow	1,952,873	-	-	17,575,857	(2,195,000)	17,333,730
Leila Henderson	35,000	-	10,000	405,000	-	450,000
Glen Butler	50,000	-	-	540,000	-	590,000
Martin Pretty	-	-	-	-	219,270	219,270
Brandon Gien	-	-	-	-	128,571	128,571

The following table outlines the share options held by key management personnel in Spacetalk Ltd:

Name	Balance at 1 July	Granted as compensation	Reduction due to exercise of options	Weighted average exercise price	Net other change	Balance at 30 June	Balance vested and exercisable
2021	**No.**	**No.**	**No.**	**($)**	**No.**	**No.**	**No.**
Mark Fortunatow	6,800,000	-	-	-	-	6,800,000	6,800,000
Leila Henderson	500,000	-	-	-	-	500,000	500,000
Glen Butler	400,000	-	-	-	-	400,000	400,000

Name	Balance at 1 July	Granted as compensation	Reduction due to exercise of options	Weighted average exercise price	Impact of share split	Net other change	Balance at 30 June	Balance vested and exercisable
2020	**No.**	**No.**	**No.**	**($)**	**($)**	**No.**	**No.**	**No.**
Mark Fortunatow	420,000	250,000	-		6,300,000	(170,000)	6,800,000	6,800,000
Leila Henderson	50,000	10,000	(10,000)		450,000	-	500,000	500,000
Glen Butler	40,000	-	-	-	360,000	-	-	400,000

The following table outlines the incentive rights held by key management personnel in Spacetalk Ltd:

Name	Balance at 1 July	Granted as compensation	Reduction due to exercise of options	Net other change	Balance at 30 June
2021	**No.**	**No.**	**No.**	**No.**	**No.**
Mark Fortunatow	-	5,000,000	-	-	5,000,000
Martin Pretty	-	500,000	-	-	500,000
Brandon Gien	-	500,000	-	-	500,000

END OF REMUNERATION REPORT (AUDITED).

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors,

MARK FORTUNATOW

EXECUTIVE CHAIRMAN

Signed at Adelaide on Wednesday 29 September 2021

Directors' Declaration

The Directors of the Company 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;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1.1 to the financial statements;

(c) in the directors' opinion, the attached 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; and

(d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors,

MARK FORTUNATOW
EXECUTIVE CHAIRMAN

Signed at Adelaide on Wednesday 29 September 2021

Independent Auditor's Report
To the members of Spacetalk Limited

Ian G McDonald FCA

CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

Independent Auditor's Report
To the Members of Spacetalk Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Spacetalk Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the director's declaration.

In our opinion, the accompanying financial report of the Group is prepared, in all material respects, in accordance with the *Corporations Act 2001*, including;

a. Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition Note 5	
In accordance with ASA 240 *The Auditors Responsibility in relation to Fraud in an audit of a Financial Report* we must consider the risk of material misstatement due to fraudulent financial reporting relating to revenue recognition. The Group recognises revenues from providing mobile messaging solutions for business enterprises. The Group	Our procedures included, amongst others; • documenting the processes and assessing the design effectiveness of internal controls relating to the recognition of revenue transactions; • assessing the revenue recognition policy for each stream to ensure it is in accordance with AASB 15 *Revenues;*

Key audit matter	How our audit addressed the key audit matter
enters into multi-period contracts with customers and there is risk that revenue may be recognised prematurely (in the incorrect accounting period) as the revenue to be earned under a customer contract may be received in advance of providing services. This area is a key audit matter due to revenue being a significant risk.	• performing analytical procedures to understand the movements and trends in revenue and comparing against expectations; • agreeing a sample of revenue transactions from the general ledger to source data to confirm appropriate revenue recognition had been applied; • agreeing a sample of corresponding sales contract and other supporting documentation to confirm unearned revenue had been correctly accounted for; • selecting a sample of revenue transactions near year end and agreeing to underlying source data to ensure that revenue transactions around year end was recorded in the correct period; and • assessing the adequacy of the related disclosures within the financial statements.
Inventory and existence Note	
At 30 June 2021, the Group held inventories of $1.7m. Inventory existence was an audit focus area because of the various locations where inventory is held. As described in note 11 inventories are carried at cost.	We performed several audit procedures over inventory existence and attended the local mid and year end distribution centre counts and performed independent test counts. For the UK, a local accounting firm attended the count.
Capitalisation of development costs Note 15	
During the year, the Group capitalised internal software development project costs. These projects related predominantly to the development of the *SeeThrough, Outreach+* and *Spacetalk* products. The cost mainly comprised of remuneration and direct costs. AASB 138 *Intangible Assets* specifies that development costs can only be capitalised if all criteria listed in this accounting standard can be met. Assessing whether these criteria are met requires an element of management judgement, particularly about whether the future economic benefits will be generated and the intention of the Group to complete development and use or sell the underlying asset. These judgements are dependent on expectations of future events. There is a risk that the costs capitalised do not meet the criteria for capitalisation in accordance with AASB 138 *Intangible Assets*. We therefore identified the capitalisation of development costs as a significant risk. The area is a key audit matter due to the degree of management judgement involved.	Our procedures included, among others; • documenting the processes and assessing whether the internal controls relating to capitalised development costs were designed effectively; • examining a sample of invoiced costs capitalised to determine the nature of the costs and assess whether the costs meet the capitalisation criteria under AASB 138; • selecting a sample of employee costs capitalised and agreeing to source documentation to confirm the value, role and employee time allocation to the respective projects; and • assessing the adequacy of the related disclosures within the financial statements.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td></td><td></td></tr>
<tr><td>Intangible assets carrying value exceeds fair value</td><td></td></tr>
<tr><td>The intangible assets of the Group are being amortised.

AASB 136 Impairment of Assets requires the Group to perform a review of impairment triggers for all amortised intangible assets at each reporting date.

The process undertaken by management to assess whether there are impairment triggers involves an element of management judgement.

This area is a key audit matter due to the degree of management judgement and assumptions applied in assessing the presence of impairment of the intangible assets.</td><td>Our procedures included, amongst others;

• obtaining the impairment trigger paper prepared by management and performing the following:
• discussing the key aspects of the paper with management to assess consistency with AASB 136 Impairment of Assets;
• evaluating the qualification and expertise of management's experts who assisted with the assumptions used in the management paper
• assessing the status of significant projects against the recognition criteria of AASB 136 Intangible Assets through discussion with senior management and project managers; and
• assessing the adequacy of the related disclosures within the financial statements.</td></tr>
<tr><td>Research and development tax offsets and deductibility</td><td></td></tr>
<tr><td>For capitalised development costs the Group has been able to claim the research and development tax incentive offset. This year expenditure was incurred and capitalised for which the offset was not claimable. The remaining expenditure is still tax deductible.</td><td>Our procedures included, amongst others;
• discussing the key aspects of the calculation with management to assess consistency with AASB 112 Income Taxes
• evaluating the qualification and expertise of management's experts who assisted with the assumptions used in the calculations</td></tr>
</table>

Information Other than the Financial Report and Auditor's Report Theron

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Director's for the Financial Report

The Directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Spacetalk Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ian McDonald

Ian G McDonald FCA

Grange SA 5022, 29 September 2021

Auditor's Independence Declaration
To the directors of Spacetalk Ltd

Ian G McDonald FCA

CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

Auditor's Independence Declaration
To the Directors of Spacetalk Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Spacetalk Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

a. no contravention of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
b. no contravention of any applicable code of professional conduct in relation to the audit.

Ian McDonald

Ian G McDonald FCA

Grange SA 5022, 27 July 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Group Year Ending 30/06/2021	30/06/2020
		$	**$**
Continuing Operations			
Revenue	2	**15,121,573**	10,486,518
Cost of sales		**(5,759,779)**	(3,049,807)
Doubtful debts		**(75,170)**	(14,544)
Interest expense		**(172,128)**	(127,632)
Amortisation & depreciation		**(2,993,992)**	(2,458,697)
Options and share issue costs		**(351,342)**	(2,477,662)
Corporate and administration		**(3,292,530)**	(3,167,824)
Advertising and marketing		**(1,491,229)**	(1,741,184)
Employee costs		**(3,029,154)**	(2,762,209)
(Loss)/ Gain on foreign exchange		**(391,968)**	41,696
(Loss)/ profit before tax		**(2,435,719)**	(5,271,345)
Income tax benefit	3	**655,571**	1,005,893
Net loss for the period attributable to owners of the Company		**(1,780,148)**	(4,265,452)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(11,881)**	(4,485)
Other comprehensive income for the period (net of tax)		**(11,881)**	(4,485)
Total comprehensive income for the period attributable to owners of the Company		**(1,792,029)**	(4,269,937)
(Loss)/profit attributable to:			
Owners of the Company		**(1,792,029)**	(4,269,937)
Earnings per share			
Basic (cents per share)	4	**(1.09)**	(3.10)
Diluted (cents per share)	4	**(1.03)**	(3.03)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the attached notes.

Consolidated Statement of Financial Position

	Notes	Group As At 30/06/2021 $	30/06/2020 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	**4,185,033**	3,165,125
Trade and other receivables	10	**2,218,826**	1,049,580
Inventories	11	**1,736,994**	977,851
Other current assets	12	**2,774,845**	1,061,566
Total Current Assets		**10,915,698**	6,254,122
Non-Current Assets			
Property, plant and equipment	14	**205,911**	182,731
Intangible assets	15	**3,941,220**	3,713,004
Right-of-use assets	18	**289,016**	134,111
Deferred tax assets		**655,661**	458,488
Total Non-Current Assets		**5,091,808**	4,488,334
Total Assets		**16,007,506**	10,742,456
LIABILITIES			
Current Liabilities			
Trade and other payables	16	**1,944,348**	2,084,841
Provisions	17	**418,494**	208,790
Current tax liabilities		**51,379**	-
Lease liabilities	18	**183,539**	135,642
Total Current Liabilities		**2,597,760**	2,429,273
Non-Current Liabilities			
Borrowings	19	**1,538,125**	-
Warrants	20	**2,409,726**	-
Deferred Tax Liabilities		**1,046**	-
Lease liabilities	18	**109,304**	-
Total Non-Current Liabilities		**4,058,201**	-
Total Liabilities		**6,655,961**	2,429,273
Net Assets		**9,351,545**	8,313,183
EQUITY			
Issued capital	21	**18,686,099**	16,124,617
Reserves	22	**6,442,745**	6,185,717
Accumulated losses		**(15,777,299)**	(13,997,151)
Total Equity		**9,351,545**	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

	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	-	(4,265,452)	-	-	(4,265,452)
Currency translation differences	-	-	-	(4,485)	(4,485)
Total comprehensive income	-	(4,265,452)	-	(4,485)	(4,269,937)
Transaction with owners Contributions and distributions					
Shares issued	5,581,525	-	-	-	5,581,525
Options exercised	14,000	-	-	-	14,000
Cost of share issued	(289,224)	-	-	-	(289,224)
Options/rights issued	11,590	-	2,460,231	-	2,471,821
Transactions with owners	5,317,891	-	2,460,231	-	7,778,122
At 30 June 2020	**16,124,617**	**(13,997,151)**	**6,216,746**	**(31,029)**	**8,313,183**
Loss attributable to members	-	(1,780,148)	-	-	(1,780,148)
Currency translation differences	-	-	-	(11,881)	(11,881)
Total comprehensive income	-	(1,780,148)	-	(11,881)	(1,792,029)
Transaction with owners Contributions and distributions					
Share issued	2,505,047	-	-	-	2,505,047
Options exercised	-	-	-	-	-
Cost of share issued	(29,095)	-	-	-	(29,095)
Options/rights issued	85,530	-	268,909	-	354,439
Transactions with owners	2,561,482	-	268,909	-	2,830,391
At 30 June 2021	**18,686,099**	**(15,777,299)**	**6,485,655**	**(42,910)**	**9,351,545**

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

Consolidated Statement of Cash Flows

	Group Year Ending	
	30/06/2021	30/06/2020
	$	$
Cash flows from operating activities		
Receipts from customers	15,264,873	10,175,388
Payments to suppliers	(16,842,403)	(10,065,525)
Tax receipts	650,612	955,103
Interest and other costs of finance	(257,596)	(127,632)
Net cash provided by operating activities	(1,184,514)	937,334
Cash flows from investing activities		
Payments for plant and equipment	(48,089)	(42,044)
Payment for research and development	(2,997,639)	(3,101,983)
Net cash (used in)/provided by investing activities	(3,045,728)	(3,144,027)
Cash flows from financing activities		
Proceeds from issue of shares	2,495,047	5,500,003
Costs associated with issue of shares	(35,653)	(289,224)
Proceeds from options exercised	-	14,000
Proceeds from borrowings	3,000,000	-
Issue of convertible note	-	500,000
Payment of lease liabilities	(197,363)	(234,348)
Repayment of convertible notes	-	(1,750,000)
Net cash provided by/(used in) financing activities	5,262,031	3,740,431
Net increase/(decrease) in cash held	1,031,789	1,533,738
Cash at the beginning of the year	3,165,125	1,635,872
Effect of exchange rate changes	(11,881)	(4,485)
Cash at the end of the year	4,185,033	3,165,125

The above Consolidated Statement of Cash Flows should be read in conjunction with the attached notes.

Notes to the Financial Statements

1. GENERAL INFORMATION

1.1 STATEMENT OF COMPLIANCE

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and other authoritative pronouncemnets issued by the Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), and comply with other requirements of law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

The financial statements were authorised for issue by the Directors on 29 September 2021.

Spacetalk Ltd (the Company) is a limited company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described on page 22 of the Annual Report.

2. APPLICATION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS

2.1 AMENDMENTS TO ACCOUNTING STANDARDS 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 its operations and effective for an accounting period that begins on or after 1 July 2020.

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

- *AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business*
- *AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material*
- *AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework*
- *AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Bendchmark*
- *AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*

The adoption of these amendments does not have a material impact on the Group.

New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

Standard/amedments	Effective for annual reporting periods beginning on or after
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current	1 January 2023
AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments	1 January 2022
AASB 2021-2 Amendments to Australian Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2021-5 Amendments of Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from Single Transaction	1 January 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets
- or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 GOING CONCERN

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existance for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

3.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Spacetalk Ltd. (the Company) and entities controlled by Spacetalk Ltd. (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of the subsidiaries are prepared for the same period as Spacetalk Ltd. using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

3.4 REVENUE RECOGNITION

The Group recognises revenue from the following major sources:

- Sale of goods, including smart watches and apps
- School messaging services and subscriptions

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

School messaging services and subscriptions

The Group provides school messaging services and app subscriptions to customers. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these services based on the stage of completion of the contract. The directors have assessed that the stage of completion determined as the proportion of the total time that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under AASB 15. Payment for subscriptions and school messaging services is made on a regular basis throughout the term. Accrued revenue is recognised over the period in which the installation services are performed representing the entity's right to consideration for the services performed to date.

3.5 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The functional currency of each of the entities in the group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the profit or loss.

Translation

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.
- Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

3.6 GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.7 TAXATION

3.7.1 Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are

those that are enacted or substantively enacted by the balance sheet date.

3.7.2 Deferred Tax

Deferred income tax is recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial statements purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

3.7.3 Research and development tax incentive refund

Refund amounts received or receivable under the Federal Government's Research and Development Tax Incentive are recognised on an accruals basis. The refund is recognised in income tax benefit in the profit or loss.

3.7.4 Goods and Services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

3.8 PLANT AND EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a reducing-balance basis over the estimated useful life of the assets as follows:

- Plant and equipment - over 5 to 10 years
- Leasehold improvements - 10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.9 INTANGIBLES

3.9.1 Intangible assets acquired separately

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with;

- finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.
- The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

3.9.2 Internally generated intangible assets - research and development

Research costs are expensed when incurred. Any costs that cannot be reliably split between research and development are also expensed when incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

3.10 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3.11 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's statement of finanical posistion when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expires, or when it is transferred the financial assets and substantially all the risk and rewards of the assets to another entity.

On derecognition of the financial assets measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the income statement.

Impairment of financial assets

The Group recognises loss allowance for expected credit loss (ECL) on financial assets subsequently measured at amortised cost. ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ELC for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix on the Company's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and on assessment of both the current as well as the forecast directions at the reporting date, including time value of money.

Lifetime ELC represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contracts, 12-months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Financial liabilities and equity

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities are classified as at FVTPL when the financial liability is:

- Contingent of an acquirer in a business combination;
- Held for trading; or
- Is designated as at FVTPL

Financial liabilities that are not subsequently measured at FVTPL are measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective rate is that rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the liability, or (where appropriate) a shorter period, to the amortised costs of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a company are recognised as the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.12 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

3.13 EMPLOYEE BENEFITS

Wages, salaries and annual leave

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the discounted amount of the benefits expected to be paid in exchange for the service.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Long service leave

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

3.14 LEASES

Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease of 12 months or less) and leases with low value assets (such as computers, printers, small office furniture and telephone). For these leases, the Group recgonises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern on which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying mount to reflect the lease payments made.

The Group remeasured the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets ("ROU assets") comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date less any lease incentives received and any initial direct costs. ROU assets are subsequently measured at cost less accumulated depreciation and impairment losses.

The ROU assets are depreciated over the shorter period of lease term and useful life of the underlying assets. The depreciation starts at the commencement date of the lease.

ROU assets are presented as a separate line item in the consolidated statement of financial position.

3.15 SHARE-BASED PAYMENTS

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Binomial option pricing model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Spacetalk Ltd. (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date (if applicable). The charge or credit to the profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3.16 ISSUED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.17 EARNINGS PER SHARE

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgments are based on historical experience and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 CRITICAL JUDGEMENTS IN APPLYING CCOUNTING POLICIES

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.2 Research and development

The Group incurs significant expenditure conducting research and development activities for new and existing products developed internally. As a result of this, professional judgment is required in order to identify which of these expenditures represent research and which represent development costs.

Expenditure associated with research activities are expensed as incurred in accordance with AASB 138. An intangible asset is recognised to record expenditure arising from development activities only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Any costs that cannot be reliably split between research and development activities are expensed when incurred.

4.2 KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Recoverability of internally generated intangible asset

During the year, the Directors reconsidered the recoverability of the Group's internally generated intangible asset arising from its technological development and distribution rights, which is included in the consolidated statement of financial position at 30 June 2021 at $3.94M (30 June 2020: $3.71M).

The carrying value of an intangible asset arising from development expenditure and distribution rights is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

1.3 Key Estimates

Impairment

The Group assess impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

No impairment has been recognised in respect of intangible assets, as the value-in-use calculation is greater than the carrying value of the assets. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss could be recognised up to the maximum carrying value of intangibles at 30 June 2021 amounting to $3.94 million.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

A provision for doubtful debts of $69,048 (2020: $90,331) has been recognised for the year ended 30 June 2021.

Research and development tax incentive refund

The estimated amount recognised is based on detailed analysis of expenditure incurred. The actual amount to be claimed is finalised after completion of the current year's financial report and preparation of the Group's income tax return.

5. REVENUE AND EXPENSES

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major categories. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 *Operating Segments* (see note 8).

REVENUE

The following is an analysis of the Group's revenue	Group Year Ending	
	30/06/2021	**30/06/2020**
	$	**$**
Schools sales	**2,245,288**	2,740,975
SPACETALK sales	**12,686,980**	7,672,471
Grants received	**15,300**	-
Other SPACETALK income	**64,503**	31,309
Sundry income	**109,502**	41,763
Total sales revenue	**15,121,573**	10,486,518

Other SPACETALK income relates to repairs, refurbished sales and shipping charges.

Expenses		
Rental expense relating to short-term lease	**105,022**	78,614
Defined contribution superannuation expenses	**421,232**	358,631
Option and share issue costs	**341,703**	2,477,662
Research costs	**1,814,093**	1,610,893

6. INCOME TAX

6.1 INCOME TAX BENEFIT	Group Year Ending	
	30/06/2021	**30/06/2020**
	$	**$**
The income tax benefit for the year can be reconciled to the accounting profit or loss as follows:		
Loss for the year	**(2,435,719)**	(5,271,345)
Prima facie tax benefit at 26%	**(633,287)**	(1,449,620)
Non-deductible items		
Other	**43,329**	678,179
Research and development tax offset	**(173,167)**	(239,304)
Adjustments recognised in the current year in relation to the current tax of prior year	**-**	4,852
Adjustments recognised in the current year in relation to the deferred tax of prior year	**56,319**	-
Adjustments recognised in the current year in relation to changes in tax rates	**51,235**	-
Total income tax benefit	**(655,571)**	(1,005,893)

6.2 INCOME TAX EXPENSE RECOGNISED IN THE PROFIT OR LOSS	Group Year Ending	
	30/06/2021	**30/06/2020**
	$	**$**
Current tax expense	**81,996**	29,975
Research and development tax offset	**(517,380)**	(650,611)
Adjustment recognised in the current year in relation to the current tax of prior years	**-**	4,852
Adjustment recognised in the current year in relation to the deferred tax of prior years	**56,319**	-
Adjusted recognised in the current year in relation to changes in tax rates	**51,315**	-
Deferred tax	**(327,821)**	(390,109)
	(655,571)	(1,005,893)

6.3 INCOME TAX EXPENSE RECOGNISED THROUGH EQUITY		
Deferred tax	**(6,558)**	(79,730)
	(6,558)	(79,730)

6.4 DEFERRED TAX ASSETS AND LIABILITIES	Group Year Ending	
	30/06/2021	**30/06/2020**
	$	**$**
Deferred tax assets		
Temporary differences		
Provision for doubtful debts	2,750	71,192
Property, plant and equipment	9,225	6,327
Lease liabilities	73,211	3,401
Prepayments	88,202	84,894
Trade payables/accrued expenses	166,187	146,953
Provisions for employee entitlements	104,623	57,417
Income tax losses	315,557	244,572
Other	72,188	106,404
	831,943	721,160
Deferred tax liabilities		
Temporary differences		
Property, plant and equipment	(11,676)	(3,860)
Right-of-use assets	(72,254)	(1,805)
Intangible assets	(54,850)	(181,295)
Others	(38,548)	(75,712)
	(177,328)	(262,672)
	654,615	**458,488**
Analysed as:		
Deferred tax assets	**655,661**	458,488
Deferred tax liabilities	**(1,046)**	-

7. EARNINGS PER SHARE

	Group Year Ending	
	30/06/2021	30/06/2020
	$	$
Basic earnings per share		
Total basic earnings per share (cents per share)	**(1.09)**	(3.10)
Diluted earnings per share		
Total diluted earnings per share (cents per share)	**(1.03)**	(3.03)

7.1 BASIC EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows.

Net(loss)/profit for the year attributable to owners of the Company	**(1,780,148)**	(4,265,452)
Earnings used in the calculation of total basic earnings per share	**(1,780,148)**	(4,265,452)
Weighted average number of ordinary shares for the purpose of basic earnings per share (all measures)	**163,699,515**	137,595,734

7.2 DILUTED EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows.

Net (loss)/profit for the year attributable to owners of the Company	**(1,780,147)**	(4,265,452)
Earnings used in the calculation of total diluted earnings per share	**(1,780,147)**	(4,265,452)
Weighted average number of ordinary shares for the purpose of diluted earnings per share (all measures)	**175,454,882**	140,706,043

8. SEGMENT REVENUES AND RESULTS

8.1 PRODUCTS AND SERVICES FROM WHICH REPORTABLE SEGMENTS DERIVE THEIR REVENUES

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

The Groups' reportable segments under AASB 8 are therefore as follows:

- School messaging services
- Spacetalk proprietary
- 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.

Spacetalk proprietary segment supply the 'Spacetalk' smartwatches and applications through retail distribution networks and online sales and this segment has grown over the years. In line with the growth of this segment, management has realigned the allocation of assets and liabilities to better reflect the use of the assets. This is reflected in the tables below.

'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 described in note 3.

No operations were discontinued during the current financial year.

8.2 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)	
	Year Ended		Year Ended	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
School messaging services	**2,245,287**	2,740,976	**(2,223,225)**	(2,006,141)
Spacetalk proprietary	**12,686,980**	7,672,471	**443,077**	(2,259,311)
Other	**189,306**	73,071	**-**	-
Total for Continuing Operations	**15,121,573**	10,486,518		
(Loss) / profit after tax (continuing operations)			**(1,780,148)**	(4,265,452)

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).

8.3 SEGMENT ASSETS AND LIABILITIES

	Assets		Liabilities	
	Year Ended		Year Ended	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
School messaging services	**4,066,104**	1,697,763	**6,382,161**	1,030,214
Spacetalk proprietary	**6,582,578**	5,228,207	**221,375**	940,571
Total segment assets/ liabilities	**10,648,682**	6,925,970	**6,603,537**	1,970,785
Unallocated assets/ liabilities	**5,358,824**	3,816,486	**52,425**	458,488
Consolidated Assets	**16,007,506**	10,742,456		
Consolidated Liabilities			**6,655,961**	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 and current tax liabilities.

8.4 OTHER SEGMENT INFORMATION

	Depreciation and amortisation		Additions to non-current assets	
	Year Ended		Year Ended	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
School messaging services	**224,568**	281,107	**408,442**	113,768
Spacetalk proprietary	**2,769,424**	2,177,590	**2,997,640**	3,104,053
Depreciation and Amortisation	**2,993,992**	2,458,697		
Additions to Non-Current Assets			**3,406,082**	3,217,821

8.5 GEOGRAPHICAL INFORMATION

The Group's revenue from external customers and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below:

	Revenue from external customers	
	Year Ended	
	30/6/2021	30/6/2020
Australia	**12,805,147**	8,976,984
United Kingdom	**1,459,832**	1,504,155
New Zealand	**856,594**	5,379
Total	**15,121,573**	10,486,518

All revenues in the United Kingdom and New Zealand relate to Spacetalkwatch sales and revenue in Australia relates to Spacetalkwatch sales and School Communication sales.

8.6 INFORMATION ABOUT MAJOR CUSTOMERS

No single customer contributed 10% or more to the Group's revenue for either 2021 and 2020.

9. NOTES TO THE CASH FLOW STATEMENT

9.1 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	Group Year Ending	
	30/06/2021	30/06/2020
	$	$
Cash and bank balances	**4,185,033**	3,165,125

9.2. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated reporting position as shown above.

	Group Year Ending	
	30/06/2021	30/06/2020
	$	$
(Loss)/profit for the year	**(1,780,148)**	(4,265,452)
Adjustments for:		
Depreciation and amortisation	**2,993,992**	2,458,697
Options issue costs	**268,909**	2,460,231
Non cash shares issued	**95,530**	93,112
Impairment losses on financial assets	**75,170**	14,544
Accrued interest	**40,584**	
Operating cash flows before movements in working capital	**1,694,037**	761,132
Movements in working capital		
Decrease/(increase) in inventory	**(759,143)**	264,087
Decrease/(increase) in trade and other receivables	**(1,363,911)**	(250,261)
(Decrease)/increase in trade payables	**(140,493)**	786,789
(Decrease)/increase in provisions	**209,704**	(98,559)
Decrease/(increase) in other current assets	**(679,960)**	(60,867)
(Decrease)/increase in tax liability	**51,379**	-
(Decrease)/increase in deferred tax liability	**(196,127)**	(464,987)
Net cash generated from operating activities	**(1,184,514)**	937,334

9.3 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities

	Liabilities from financing activities			
	Convertible note	Term loan	Leases	Total
Balance 1 July 2019	1,250,000	-	296,080	1,546,080
Cash flows	(1,250,000)	-	(234,348)	(1,484,348)
Acquisition - leases	-		73,910	73,910
Non-Cash movements	-	-	-	-
Balance 30 June 2020	-	-	135,642	135,642
Cash flows	-	**3,000,000**	**(197,363)**	**2,802,637**
Acquisition - leases	-	**-**	**354,564**	**354,564**
Transaction cost capitalised[(i)]	-	**(1,421,291)**	**-**	**(1,421,291)**
Accrued interest	-	**(40,584)**	**-**	**(40,584)**
Balance 30 June 2021	-	**1,538,125**	**292,843**	**1,830,968**

(i) Transaction cost capitalised includes cost of warrant issued by Spacetalk Ltd. to Pure Asset Management Pty Ltd that is allocated to the first tranche of the loan. Refer note 19 for details of the loan.

10. TRADE AND OTHER RECEIVABLES

10.1 TRADE AND OTHER RECEIVABLES

	Group Year Ending	
	30/06/2021	30/06/2020
	$	$
Trade receivables	**2,287,874**	1,139,911
Loss allowance	**(69,048)**	(90,331)
	2,218,826	1,049,580

The average credit period on sales of goods is 30 days. No interest is charged on outstanding trade receivables. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. As noted within Note 2.1, the Group has measured the expected credit losses based on default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group has assessed the application of AASB 9 - Financial Instruments and concluded that there has been no significant impact on the financial position and/or financial performance of the Group.

Terms and conditions relating to the above financial instruments:

- Trade receivables are non-interest bearing and generally repayable in the range within 30-180 days.
- Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

10.2 TRADE RECEIVABLES - PAST DUE

	Group Year Ending	
	30/06/2021	30/06/2020
	$	$
Past due 0-30 days	**99,118**	47,043
Past due 31-60 days	**85,983**	78,832
Past due 61-90 days	**222,826**	196,925
Past due over 91 days	**64,142**	324,845
	472,069	647,140

The following tables explain how significant changes in the gross carrying amount of the trade receivables contributed to changes in the loss allowance:

10.3 MOVEMENT IN THE LOSS ALLOWANCE

	Group Year Ending	
	30/06/2021	30/06/2020
	$	$
Balance at the beginning of the year	(90,331)	(76,298)
(Increase)/Decrease in loss allowance attributable to new sales	21,283	(14,033)
Balance at the end of the year	(69,048)	(90,331)

11. INVENTORIES

	Group Year Ending	
	30/06/2021	30/06/2020
	$	$
Finished goods	1,736,994	977,851
	1,736,994	977,851

The cost of inventories recognised as an expense during the year in respect of continuing operations was $5,759,779 (2020: $3,049,807). There were no write-downs of inventory to net realiseable value included within the cost of inventories recognised as an expense during the year.

12. OTHER CURRENT ASSETS

	Group Year Ending	
	30/06/2021	30/06/2020
	$	$
R&D tax incentive	517,380	650,612
Prepayments	1,224,146	410,954
Loan commitment asset (i)	1,033,319	-
	2,774,845	1,061,566

(i) Loan commitment asset

The loan commitment comprises of transaction costs in relation to the second tranche of the loan facility obtained from Pure Asset Management Pty Ltd. Refer to note 19 for the details for the facility .

13. PARENT ENTITY INVESTMENTS

Unlisted controlled entity	Date of acquisition or incorporation	County of incorporation	Class of shares	Cost of Parent Entity's Investment	Cost of Parent Entity's Investment
				30/06/2021	30/06/2020
				$	$
MGM Wireless Holdings Pty Ltd	08/10/2003	Australia	Ordinary	767,000	767,000
Message You LLC	11/09/2006	USA	Ordinary	124,440	124,440
MGM Wireless (NZ) Pty Ltd	18/05/2010	Australia	Ordinary	80	80
Spacetalkwatch UK Ltd	25/02/2019	United Kingdom	Ordinary	186	1
Spacetalk Holdings Pty Ltd	29/06/2015	Australia	Ordinary	1	1
Spacetalk USA Pty Ltd	29/06/2015	Australia	Ordinary	100	-
Spacetalk LLC	29/04/2021	USA	Ordinary	1,340	-
Spacetalk Inc	29/04/2021	USA	Ordinary	1,340	-
				894,302	891,522

The equity holding in all companies is 100%. These investments have been eliminated on consolidation.

Further information about the composition of the Group and transactions has been disclosed within note 27.

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment	Leasehold improvements	Total
	$	$	$
Cost			
Balance as at 30 June 2019	377,950	208,499	**586,449**
Additions	36,377	3,480	**39,857**
Balance as at 30 June 2020	414,327	211,979	**626,306**
Additions	52,515	1,364	**53,879**
Balance as at 30 June 2021	466,842	213,343	**680,185**
Accumulated depreciation and impairment			
Balance as at 30 June 2019	(286,278)	(112,188)	**(398,466)**
Depreciation expense	(30,113)	(14,996)	**(45,109)**
Balance as at 30 June 2020	(316,391)	(127,184)	**(443,575)**
Depreciation expense	(22,188)	(8,511)	**(30,699)**
Balance as at 30 June 2021	(338,579)	(135,695)	**(474,274)**
Written down value at 30 June 2020	97,936	84,795	**182,731**
Written down value at 30 June 2021	128,263	77,648	**205,911**

15. INTANGIBLE ASSETS

	Group Year Ending	
	30/06/2021	30/06/2020
	$	$
At cost	**17,951,941**	14,954,301
Accumulated amortisation and impairment	**(14,010,721)**	(11,241,297)
Carrying value	**3,941,220**	3,713,004

	Distribution Rights	Capitalised Development Costs	Total
Cost	$	$	$
Balance as at 30 June 2019	441,017	11,409,231	**11,850,248**
Additions from internal developments	-	3,104,053	**3,104,053**
Balance as at 30 June 2020	441,017	14,513,284	**14,954,301**
Additions from internal developments	-	2,997,640	**2,997,640**
Balance as at 30 June 2021	441,017	17,510,924	**17,951,941**
Accumulated amortisation and impairment			
Balance as at 30 June 2019	(264,607)	(8,799,100)	**(9,063,707)**
Amortisation	(44,100)	(2,133,490)	**(2,177,590)**
Balance as at 30 June 2020	(308,707)	(10,932,590)	**(11,241,297)**
Amortisation	(44,100)	(2,725,324)	**(2,769,424)**
Balance as at 30 June 2021	(352,807)	(13,657,914)	**(14,010,721)**
Carrying value at 30 June 2021	88,210	3,853,010	**3,941,220**

The useful life of 'Distribution Rights' is 10 years. Due to the nature of the projects developed in the current period, Capitalised cost has been amortised over a useful life of 3 years.

Distribution rights have arisen from the acquisition of territory rights from former distributors. These assets have provided the Company the right to operate in the respective territories.

16. TRADE AND OTHER PAYABLES

	Group Year Ending	
	30/06/2021	30/06/2020
	$	$
Trade payables	**1,744,968**	1,598,784
Indirect tax liability	**171,275**	411,723
Accrued SMS charges	**28,105**	74,334
	1,944,348	2,084,841

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 22 days. For most suppliers no interest is charged on the trade payables for the first day from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

17. PROVISIONS

	Group Year Ending	
	30/06/2021	30/06/2020
	$	$
Employee benefits	**418,494**	208,790

The provision for employee benefits represents annual leave and long service leave entitlements accrued.

18. LEASES

18.1 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 2020	336,816	33,176	**369,992**
Additions	354,563	-	**354,563**
Balance at 30 June 2021	691,379	33,176	**724,555**
Accumulated amortisation and impairment			
Balance at 1 July 2019	-	-	**-**
Amortisation	(211,668)	(24,213)	**(235,881)**
Balance at 30 June 2020	(211,668)	(24,213)	**(235,881)**
Amortisation	(190,695)	(8,963)	**(199,658)**
Balance at 30 June 2021	(402,363)	(33,176)	**(435,539)**
Carrying Value 30 June 2021	289,016	-	**289,016**

18.2 LEASE LIABILITES

	Group Year ending	
	30/6/2021	30/06/2020
Maturity analysis		
Less than one year	197,578	137,295
1-5 years	111,254	-
	308,832	137,295
Less: unearned interest	(15,989)	(1,653)
	292,843	135,642
Analysed as:		
Current	183,539	135,642
Non-current	109,304	-
Balance as at 30 June	**292,843**	**135,642**

19. BORROWINGS

	Group Year Ending	
	30/06/2021	30/06/2020
	$	$
Term loan	**1,538,126**	-

During the year, 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 amount is $3 million while the second tranche is $2 million. A loan commitment asset of $1.03 million in relation to the potential draw down of the second tranche has been recognised. The loan commitment comprises of transaction costs allocated between the first tranche and the second tranche, including cost of a warrant issued. Refer to note 20 for details of the warrant.

20. WARRANTS

	Group Year Ending	
	30/06/2021	30/06/2020
	$	$
Warrant liabilities	**2,409,725**	-

As part of this 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 warrant was issued at zero cost, so the fair value of the warrant is deducted from the loan from Pure Am (debt liability), proportionately allocated between trache one and tranche two. The warrant is recognised as fair value using the Black Sholes model.

21. ISSUED CAPITAL

21.1 ISSUED AND PAID UP CAPITAL

	Group Year Ending	
	30/06/2021	30/06/2020
	$	$
Ordinary shares, fully paid	**18,686,099**	16,124,617
(30 June 2021: 165,381,445, 30 June 2020: 141,750,051)		

21.2 FULLY PAID ORDINARY SHARES

	Group Year Ending	
	Number of shares	Share capital $
		$
Balance as at 30 June 2020	**141,750,051**	16,124,617
Share Purchase Plan	**23,256,425**	2,465,952
Shares issued on vesting of employee retention rights	**285,000**	85,530
Shares issued to contractor	**89,969**	10,000
Balance as at 30 June 2021	**165,381,445**	18,686,099

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holders to one vote, either in person or by proxy, at a meeting of the Group.

(i) Employee incentive option plan and incentive rights

Information relating to Spacetalk Ltd. option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period is detailed in note 26.

22. RESERVES

	Group Year Ending	
	30/06/2021	**30/06/2020**
	$	**$**
Option issue reserve	**6,485,655**	6,216,746
Foreign currency translation reserve	**(42,910)**	(31,029)
	6,442,745	6,185,717

	Option issue reserve	Foreign currency translation reserve
	$	**$**
Balance as at 30 June 2019	**3,756,515**	(26,544)
Options/rights issued	**2,460,231**	-
Currency translation differences	**-**	(4,485)
Balance as at 30 June 2020	**6,216,746**	(31,029)
Options/rights issued	**268,909**	-
Currency translation differences	**-**	(11,881)
Balance as at 30 June 2021	**6,485,655**	(42,910)

Nature and purpose of reserve

The option issue reserve is used to accumulate amounts received on the issue of options and records items recognised as expenses on valuation of incentive based share options.

The foreign currency translation reserve is used to record exchange rate differences arising from the translation of the financial statements of foreign subsidiaries and are recognised directly in the total comprehensive Income for the year.

23. DIVIDENDS

No dividends have been declared in respect of the 2021 financial year. (2020: Nil)

Due to the R&D tax incentives taken up by the Group, dividends paid during the 2014 to 2016 financial years were unfranked. It is anticipated that as long as the Group is entitled to the R&D tax incentive future dividends will also be unfranked.

24. CAPITAL RISK MANAGEMENT

24.1 CAPITAL RISK MANAGEMENT

Management controls the capital of the Group in order to maximise the return to shareholders and ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group’s capital by assessing the Group’s financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels and share and option issues.

There have been no changes in the strategy adopted by management to control capital of the Group since the prior year.

24.2 GEARING RATIO	**Group Year Ending**	
	30/06/2021	**30/06/2020**
The gearing ratio at end of the period was as follows	**$**	**$**
Lease liabilities	**183,539**	136,642
Borrowings	**1,538,126**	-
Warrant liability	**2,409,725**	
Net Debt	**4,131,390**	136,642
Equity	**9,351,545**	8,313,183
Net debt to equity ratio	**44.2%**	1.6%

25. FINANCIAL INSTRUMENTS

Financial risk management

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk Liquidity risk is monitored through the development of future rolling cash flow forecasts. The Group uses foreign exchange forward contracts to manage its foreign currency exposures. No other derivative instruments are utilised.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Interest rate risk

The Company's exposure to risks of changes in market interest rates relates primarily to the Company's cash balances. The Company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates.

Its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At balance date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges

	Group Year Ending	
	30/06/2021	**30/06/2020**
	$	**$**
Cash and cash equivalents (interest-bearing accounts)	**4,158,033**	**3,165,126**
Net exposure	**4,158,033**	**3,165,126**

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the table below illustrates the effect on post tax profit and equity of the change in cost relevant to the financial assets of the Group:

	Group Year Ending	
	30/06/2021	**30/06/2020**
	$	**$**
Post tax profit - higher/(lower)	**861**	638
	(861)	(638)
Equity - higher/(lower)	**861**	638
	(861)	(638)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short- medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by;

- monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained,
- continuously monitoring forecast and actual cash flows, and
- matching the maturity profiles of financial assets and liabilities based on management's expectations.

The risk implied from the values shown in the table below reflects a balanced view of cash inflows and outflows within the 2021 financial period.

	Group Year Ended	
	30/06/2021	**30/06/2020**
	$	**$**
Less than 1 year		
Financial assets		
Cash & cash equivalents	**4,185,033**	3,165,126
Trade and other receivables	**2,218,826**	1,049,581
Loan commitment	**1,033,319**	-
	7,437,178	4,214,707
Financial liabilities		
Trade payables	**1,744,968**	1,598,782
Borrowings	**293,589**	-
Lease liabilities	**183,539**	135,642
Indirect tax liability	**171,275**	411,723
	2,393,371	2,146,147
Between 1-5 years		
Financial liabilities		
Borrowings	**1,244,537**	-
Warrants	**2,409,725**	-
Lease liabilities	**109,304**	-
	3,763,566	-

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Credit risk

Credit risk arises from the financial assets of the Company, which comprise deposits with banks and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the Statement of Financial Position represents the Company's maximum exposure to credit risk in relation to those assets.

The Company does not hold any credit derivatives to offset its credit exposure.

The Company trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Company's policy to securitise it trade and other receivables.

Receivable balances are monitored on an ongoing basis with the result that the Company does not have a significant exposure to bad debts. Trade and other receivables are expected to have a maturity of less than 12 months, for both year-ends.

There are no significant concentrations of credit risk within the Company.

Foreign currency risk

As a result of operations in the USA, being denominated in USD, operations in New Zealand being denominated in NZD, and Operations in the United Kingdom being denominated in GBP, the Group's balance sheet can be affected by movements in the respective AUD exchange rates.

The Group manages its exposure to foreign exchange risk by entering into forward foreign exchange contracts. The Group constantly reviews its exposure to commitments payable in foreign currency and ensures appropriate cash balances are maintained in USD, NZD and GBP so as to meet current operational commitments

Management believes the balance date risk exposures are representative of the risk exposure inherent in financial instruments.

Fair value

The methods of estimating fair value are outlined in the relevant notes to the financial statements. All financial assets and liabilities recognised in the Statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

26. SHARE-BASED PAYMENTS

26.1 Employee Share Option Plan

The Group has an ownership-based compensation plan for executives and senior employees and contractors. In accordance with the terms of the plan executives, senior employees and contractors may be granted options to purchase ordinary shares. Each share option converts into one ordinary share of Sapcetalk Ltd on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of their vesting to the date of their expiry.

The weighted average share price during the year was $0.11 (2020: $0.42)

There were no options granted during the current financial year (2020: 8,900,000).

26.2 Long Term Incentive Rights

During the financial year the the Group established the Spacetalk Ltd. Long Term Incentive Plan (LTIP) to, amongst other things, assist in the reward, retention and motivation of senior managers and other employees selected by the Company as well as provide share-based compensation to non-executive directors when considered appropriate. The LTIP is designed to align the interests of eligible participants and shareholders of the Company by providing eligible participants with the opportunity to participate in the ownership of the Company through the issue of incentive rights that, subject to satisfaction of certain conditions in the future, may be exercised and converted into fully paid ordinary shares in the capital of the Company. Upon exercise the Company will issue the eligible participant one fully paid ordinary share in the Company for each vested incentive right No amounts are paid or payable by the eligible participant on receipt or exercise of vested incentive rights.

There were 8,300,000 rights granted during the current financial year (2020: 597,500).

During the financial year, the following share based arrangements were in existence:

Name	Number	Grant Date	Expiry Date	Grant Date Fair Value	Exercise price	Vesting Date
Granted 16 November 2018	2,100,000	16/11/18	3/4/22	$0.28	$0.60	Vest at date of grant
Granted 16 November 2018	1,500,000	16/11/18	3/4/22	$0.28	$0.80	Vest at date of grant
Granted 16 November 2018	1,500,000	16/11/18	3/4/22	$0.28	$1.00	Vest at date of grant
Granted 10 October 2019	3,000,000	10/10/19	30/6/22	$0.37	$0.55	Vest at date of grant
Granted 10 October 2019	3,000,000	10/10/19	30/6/22	$0.37	$0.65	Vest at date of grant
Granted 29 November 2019	1,300,000	29/11/19	30/4/23	$0.33	$0.70	Vest at date of grant
Granted 29 November 2019	1,300,000	29/11/19	30/4/23	$0.33	$0.90	Vest at date of grant
Employee incentive right 1	50,000	13/8/19	15/8/21	$0.43	$0.00	15/8/21
Employee incentive right 2	150,000	13/8/19	15/8/21	$0.43	$0.00	15/8/21
Employee incentive right 3	7,500	30/8/19	30/8/21	$0.39	$0.00	30/8/21
Employee incentive right 4	10,000	30/8/19	30/8/21	$0.39	$0.00	30/8/21
Employee incentive right 5	7,500	30/8/19	28/2/22	$0.39	$0.00	28/2/22
Employee incentive right 6	20,000	30/8/19	30/8/21	$0.39	$0.00	30/8/21
Employee incentive right 7	10,000	30/8/19	30/8/21	$0.39	$0.00	30/8/21
Employee incentive right 8	75,000	20/1/20	20/7/21	$0.29	$0.00	20/7/21
Employee incentive right 9	75,000	20/1/20	20/1/22	$0.29	$0.00	20/1/22
Employee incentive right 10	20,000	9/6/20	9/6/22	$0.14	$0.00	9/6/22
Employee incentive right 11	20,000	9/6/20	9/6/22	$0.14	$0.00	9/6/22
Employee incentive right 12	5,000	9/6/20	9/6/22	$0.14	$0.00	9/6/22
Employee incentive right 13	50,000	9/8/19	9/6/22	$0.43	$0.00	9/6/22
Employee incentive right 14	60,000	11/9/20	11/8/21	$0.16	$0.00	11/8/21
Employee incentive right 15	60,000	11/9/20	11/8/22	$0.16	$0.00	11/8/22
Employee incentive right 16	60,000	11/9/20	11/8/23	$0.16	$0.00	11/8/23
Employee incentive right 17	20,000	22/7/19	11/7/21	$0.32	$0.00	11/7/21
Employee incentive right 18	100,000	20/7/20	1/8/21	$0.12	$0.00	1/8/21
Employee incentive right 19	5,000	31/8/20	31/8/22	$0.15	$0.00	31/8/22
Employee incentive right 20	150,000	9/6/21	11/8/22	$0.16	$0.00	11/8/22
Employee incentive right 21	50,000	9/8/19	17/3/23	$0.43	$0.00	17/3/23
Employee incentive right 22	25,000	9/6/21	17/3/23	$0.16	$0.00	17/3/23
Employee incentive right 23	150,000	9/6/21	11/8/23	$0.16	$0.00	11/8/23
Employee incentive right 24	150,000	9/6/21	11/8/24	$0.16	$0.00	11/8/24
Employee incentive right 25	250,000	9/6/21	30/10/21	$0.16	$0.00	30/10/21
Employee incentive right 26	200,000	9/6/21	30/10/21	$0.16	$0.00	30/10/21
Employee incentive right 27	100,000	9/6/21	30/6/22	$0.16	$0.00	30/6/22
Employee incentive right 28	50,000	9/6/21	30/6/22	$0.16	$0.00	30/6/22
Employee incentive right 29	100,000	9/6/21	30/6/23	$0.16	$0.00	30/6/23
Employee incentive right 30	100,000	9/6/21	31/12/21	$0.16	$0.00	31/12/21
Employee incentive right 31	50,000	9/6/21	31/12/21	$0.16	$0.00	31/12/21
Employee incentive right 32	200,000	9/6/21	30/10/22	$0.16	$0.00	30/10/22
Employee incentive right 33	50,000	9/6/21	30/7/21	$0.16	$0.00	30/7/21
Employee incentive right 34	20,000	1/3/21	17/2/23	$0.11	$0.00	17/2/23
Employee incentive right 35	20,000	1/3/21	17/2/23	$0.11	$0.00	17/2/23
Employee incentive right 36	30,000	1/3/21	17/2/23	$0.11	$0.00	17/2/23
Employee incentive right 37	50,000	9/6/21	17/2/23	$0.16	$0.00	17/2/23
Employee incentive right 38	20,000	1/3/21	17/2/23	$0.11	$0.00	17/2/23
Employee incentive right 39	5,000,000	1/3/21	1/12/23	$0.13	$0.00	1/12/23
Employee incentive right 40	500,000	1/3/21	1/12/23	$0.13	$0.00	1/12/23
Employee incentive right 41	500,000	1/3/21	1/12/23	$0.13	$0.00	1/12/23
Employee incentive right 42	200,000	14/5/21	1/5/23	$0.16	$0.00	1/5/23

The following table outlines the share options on issue and movements during the reporting periods presented:

	Group Year Ending	
	30/06/2021	**30/06/2020**
As at 1 July	**20,307,500**	1,338,000
Granted during the year	**8,300,000**	9,497,500
Exercised during the year	**(285,000)**	(45,000)
Forfeited during the year	**(5,852,500)**	(239,000)
Increase due to share split	**-**	9,756,000
As at 30 June	**22,470,000**	20,307,500

Share options outstanding at the end of the year had a weighted average exercise price of $0.43 (2020: $0.58) The average remaining contractual life of options outstanding at the end of the financial year was 1.08 years (2020: 1.89).

26.3 Fair Value of share options granted during the year

There were no options and 8,300,000 incentive rights granted during the year (2020: 8,900,000 options and 597,500 incentive rights). The weighted average fair value of the share options and employee rights granted during the financial year is $0.14 (2020: $0.27). 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
11/9/20	11/8/21	$0.16	$0.00	72.6%	1.00 Years	0.00%	$0.16	60,000	11/8/21
11/9/20	11/8/22	$0.16	$0.00	72.6%	2.00 Years	0.00%	$0.16	60,000	11/8/22
11/9/20	11/8/23	$0.16	$0.00	72.6%	3.00 Years	0.00%	$0.16	60,000	11/8/23
20/7/20	1/8/21	$0.12	$0.00	87.8%	1.03 Years	0.00%	$0.12	100,000	1/8/21
31/8/20	31/8/22	$0.15	$0.00	68.0%	2.00 Years	0.00%	$0.15	5,000	31/8/22
9/6/21	11/8/22	$0.16	$0.00	96.4%	1.17 Years	0.00%	$0.16	150,000	11/8/22
9/6/21	17/3/23	$0.16	$0.00	96.4%	1.77 Years	0.00%	$0.16	25,000	17/3/23
9/6/21	11/8/23	$0.16	$0.00	96.4%	2.17 Years	0.00%	$0.16	150,000	11/8/23
9/6/21	11/8/24	$0.16	$0.00	96.4%	3.17 Years	0.00%	$0.16	150,000	11/8/24
9/6/21	30/10/21	$0.16	$0.00	96.4%	0.39 Years	0.00%	$0.16	250,000	30/10/21
9/6/21	30/10/21	$0.16	$0.00	96.4%	0.39 Years	0.00%	$0.16	200,000	30/10/21
9/6/21	30/6/22	$0.16	$0.00	96.4%	1.06 Years	0.00%	$0.16	100,000	30/6/22
9/6/21	30/6/22	$0.16	$0.00	96.4%	1.06 Years	0.00%	$0.16	50,000	30/6/22
9/6/21	30/6/23	$0.16	$0.00	96.4%	2.06 Years	0.00%	$0.16	100,000	30/6/23
9/6/21	31/12/21	$0.16	$0.00	96.4%	0.56 Years	0.00%	$0.16	100,000	31/12/21
9/6/21	31/12/21	$0.16	$0.00	96.4%	0.56 Years	0.00%	$0.16	50,000	31/12/21
9/6/21	30/10/22	$0.16	$0.00	96.4%	1.39 Years	0.00%	$0.16	200,000	30/10/22
9/6/21	30/7/21	$0.16	$0.00	96.4%	0.14 Years	0.00%	$0.16	50,000	30/7/21
1/3/21	17/2/23	$0.11	$0.00	59.2%	1.97 Years	0.00%	$0.11	20,000	17/2/23
1/3/21	17/2/23	$0.11	$0.00	59.2%	1.97 Years	0.00%	$0.11	20,000	17/2/23
1/3/21	17/2/23	$0.11	$0.00	59.2%	1.97 Years	0.00%	$0.11	30,000	17/2/23
9/6/21	17/2/23	$0.16	$0.00	96.4%	1.77 Years	0.00%	$0.16	50,000	17/2/23
1/3/21	17/2/23	$0.11	$0.00	59.2%	1.97 Years	0.00%	$0.11	20,000	17/2/23
1/3/21	1/12/23	$0.13	$0.00	59.2%	3.00 Years	0.00%	$0.13	5,000,000	1/12/23
1/3/21	1/12/23	$0.13	$0.00	59.2%	3.00 Years	0.00%	$0.13	500,000	1/12/23
1/3/21	1/12/23	$0.13	$0.00	59.2%	3.00 Years	0.00%	$0.13	500,000	1/12/23
14/5/21	1/5/23	$0.16	$0.00	99.7%	1.96 Years	0.00%	$0.16	200,000	1/5/23

The Group recognised total expense of $330,037 (2020:$2,417,616) related to equity-settled share-based payment trasnactions during the financial year.

27. RELATED PARTY TRANSACTIONS

27.1 Subsidiaries

The consolidated financial statements include the financial statements of Spacetalk Ltd. and the subsidiaries that are listed in the table in Note 13.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 13.

Investments in subsidiaries, associates and joint ventures are accounted for at cost. Dividends received from subsidiaries, associates and joint ventures are recognised in profit or loss when a right to receive the dividend is established (provided that it is probable that the economic benefits will flow to the Parent and the amount of income can be measured reliably).

27.2 Parent entity disclosure

Spacetalk Ltd. is the ultimate Australian parent entity and the ultimate parent of the Group. The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements except as set out below. See note 3 for a summary of the significant accounting policies relating to the Group.

The following is financial information about the parent entity required by Regulation 2M.3.01 of the *Corporations Act 2001*:

	Group Year Ending	
	30/06/2021	**30/06/2020**
	$	**$**
Financial position		
Assets		
Current assets	-	-
Non-current assets	**10,874,664**	8,313,083
Total assets	**10,874,664**	8,313,083
Liabilities		
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	-	-
Net assets	**10,874,664**	8,313,083
Equity		
Issued capital	**18,686,099**	16,124,518
Retained earnings	**(7,811,435)**	(7,811,435)
Total equity	**10,874,664**	8,313,083

Financial performance	**Year Ended 30/06/2021**	Year Ended 30/06/2020
	$	$
Loss for the year	-	(1,809,707)
Other comprehensive income	-	-
Total comprehensive income	-	(1,809,707)

Pursuant to the loan facility taken up during the financil year, the perofmrance of Spacetalk Ltd is guanranteed by its subsidiaries, MGM Wireless Holdings, Spacetalk Holdings, MGM Wireless NZ and Spacetalkwatch UK.

27.3 Tax consolidation

The company and its wholly-owned Australian resident entities are members of a tax consolidated group under Australian tax law. The Company is the head entity within the tax consolidated group. In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group.

Amounts payable or receivable under the tax-funding arrangement between the Company and the entities in the tax consolidated group are determined using a 'separate taxpayer within group' approach to determine the tax contribution amounts payable or receivable by each member of the tax-consolidated group. This approach results in the tax effect of transactions being recognised in the legal entity where that transaction occurred, and does not tax effect transactions that have no tax consequences to the Group. The same basis is used for tax allocation within the tax-consolidated group.

27.4 Key management personnel

Disclosures relating to key management personnel are set out in Note 28.

27.5 Other equity interests

There are no equity interests in associates, joint ventures or other related parties.

27.6 Transactions with related parties

During the 2021 financial year no amount was paid to Newsgallery for PR advisory services (2020: $25,950). Newsgallery is a related entity of Leila Henderson.

During the 2021 financial year $6,000 was paid to Mount Seventh for consulting fees (2020: $44,393). Mount Seventh is a related entity of Glen Butler.

During the 2021 finanical year $24,000 was paid to Brandon Gien for counsulting fees (2020: $18,000). Good Design is a related entity to Brandon Gien.

During the 2021 finanical year $4,794 was paid to Martin Pretty for counsulting fees (2020: nil). Equatable Investors is a related entity of Martin Pretty.

The terms and conditions of the transactions with Directors and Director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

28. DIRECTOR AND EXECUTIVE DISCLOSURES

28.1 Compensation of key management personnel

The aggregate compensation made to Directors and other members of key management personnel of the Company and the Group is set out below:

	Group Year Ending	
	30/06/2021	**30/06/2020**
	$	**$**
Short-term	**522,143**	417,946
Post Employment	**47,657**	75,284
Other Long-Term	**86,459**	479,560
Fees paid to related entities	**34,794**	88,343
Share-based payment	**149,725**	681,168
	840,778	1,742,301

28.2 Loans with key management personnel

There were no loans to key management personnel or their related entities during the current or previous financial year.

29. REMUNERATION OF AUDITORS

	Group Year Ending	
	30/06/2021	**30/06/2020**
Audit and review of financial statements of Group by:	**$**	**$**
- Ian G McDonald	**27,000**	23,000
	27,000	23,000

30. COMPANY DETAILS

The registered office and principal place of business of the Company is:

Suite 13 The Parks
154 Fullarton Road
Rose Park SA 5067
Australia

31. SUBSEQUENT EVENTS

On 10 September 2021 the company drew down the second tranche of the Pure Asset Management Pty. Limited loan facility for $2 million, there has not been any other matter which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The finanical statements were approved by the board of directors and authorised for issue on 29 September 2021.

ORDINARY FULLY PAID SHARES (TOTAL)

RANGE OF UNITS AS OF 17/09/2021

Range	Total holders	Units	% Units
1 - 1,000	90	19,760	0.01
1,001 - 5,000	352	1,149,718	0.69
5,001 - 10,000	246	1,979,372	1.19
10,001 - 100,000	709	26,437,680	15.95
100,001 Over	245	136,137,415	82.15
Rounding			**0.01**
Total	**1,642**	**165,723,945**	**100.00**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.2100 per unit	2381	174	167,371

All issued ordinary shares carry one vote per share. Each member present in person, or by proxy, representative or attorney, has one vote on a show of hands and one vote per share on a poll for each share held. Each member is entitled to notice of, and to attend and vote at, general meetings. Options do not carry a right to vote.

TOP HOLDERS (GROUPED) AS OF 17/09/2021

Rank	Name	Units	% of units
1	UBS NOMINEES PTY LTD	13,268,088	8.01
2	MRS PAULA FORTUNATOW <A M & J M A/C>	6,827,780	4.12
3	I-HOLDINGS PTY LTD <FORTUNATOW FAM SF A/C>	5,982,710	3.61
4	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	4,313,242	2.60
5	MRS PAULA FORTUNATOW + MR MARK FORTUNATOW <FORTUNATOW FAMILY A/C>	4,285,000	2.59
6	MR NOEL GEORGE HURD	4,000,000	2.41
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,541,079	2.14
8	MR CHRISTOPHER JAMES CAMERON	3,300,000	1.99
9	YAVERN CREEK HOLDINGS PTY LTD	3,200,000	1.93
10	RYANU SERVICES PTY LTD <RYANU FAMILY A/C>	2,524,710	1.52
11	MR PETER COSSETTO + MRS ANNAMARIA STEFANIA COSSETTO <COSSETTO FAMILY SUPER A/C>	2,500,000	1.51
12	MR BRENDAN JON TURNBULL	2,300,000	1.39
13	MR STANISLAV MICHAEL KOLENC	2,231,313	1.35
14	FGDG SUPER PTY LTD <FG HEPPINGSTONE P/L S/F A/C>	2,138,090	1.29
15	DR PRIYA AMARA SELVA-NAYAGAM + DR CRAIG LLOYD JAMES <THE JAMES SUPER FUND A/C>	1,919,544	1.16
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,659,656	1.00
17	MR CHARLES MORPHY	1,597,420	0.96
18	MR PAUL RICHARD COOPER	1,588,920	0.96
19	MR IAN JAMES CAMERON	1,333,500	0.80
20	MR MARCEL STEPHAN + MRS CORINA STEPHAN <STEPHAN SUPER FUND A/C>	1,329,510	0.80
	Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)	**69,840,562**	**42.14**
	Total Remaining Holders Balance	**95,883,383**	**57.86**

ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 17 SEPTEMBER 2021

Unlisted options

Expiry date	**48 months from loan utilisation**	**30/4/22**	**30/4/22**	**30/4/22**	**30/6/22**	**30/6/22**	**30/4/23**	**30/4/23**
Exercise price	**$0.30**	**$0.60**	**$0.80**	**$1.00**	**$0.55**	**$0.65**	**$0.70**	**$0.90**
Total Options Issued	1 warrant that can be exercised for a total of 11,000,000 shares	2,100,000	1,500,000	1,500,000	3,000,000	3,000,000	1,300,000	1,300,000
Number of holders	1	3	1	1	6	6	2	2
Holders with more than 20%								
Mark Fortunatow		1,300,000	1,500,000	1,500,000			1,250,000	1,250,000
GC nominees (Australia) Pty Ltd					2,000,000	2,000,000		
Pure Asset management Pty Ltd	11,000,000							
Leila Henderson		400,000						
Glen Butler		400,000						

FINANCIAL REPORT

Restricted securities

There are 75,000 fully paid ordinary shares subject to a voluntary escrow period of 12 months from the date of issue (issue date 22 January 2021) and 30,000 fully paid ordinary shares subject to a voluntary escrow period of 12 months from the date of issue (issue date 10 February 2021).

On-market buy-back

Currently there is no on-market buyback of the Company's securities.

Company Secretary

Mr Justin Nelson

Registered Office and Principal Administration Office

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SPACETALK