

MGM WIRELESS 2019 AGM

Chairman's Address

Good afternoon and thank you for attending today's Annual General Meeting.

We have been on an incredible, transforming journey since the October 2017 launch of SPACETALK. We have had a great year, doubling our revenues every 6 months, developing a significant business, tripling distribution in Australia and New Zealand and launching in the United Kingdom.

Wearables – new, fast growing market

We are capitalising on the enormous growth in wearables, which in a short time has become a global phenomenon. The latest forecast from technology analyst Gartner says spending on wearable devices will total \$52 billion in 2020, an increase of 27% from 2019.

Smartwatches are the largest category of wearables, and kid's smartwatches are estimated to be 30% of the market. Our goal is to capture the leading share in the children 5-12 market and our momentum indicates that SPACETALK is on track to achieve this and has tremendous revenue opportunity.

SPACETALK distribution tripled

This time last year SPACETALK sold in 270 stores with 197 in Australia and 73 in New Zealand. We have since signed agreements with Officeworks and The Good Guys in Australia. These are world class, leading retailers which have strong repeat business and loyal customers and great partners to sell SPACETALK.

In New Zealand, we have leveraged our master agreement with SPARK and now distribute to leading consumer electronics and appliances retailer Noel Leeming, as well as Harvey Norman and JB Hi-Fi.

Retailers understand the potential of the fast-growing wearables category and SPACETALK has been very well received, now selling through 777 stores across Australia and New Zealand.

SPACETALK's high value for Mobile Network Operators - Australia

This year we supplemented the significant time and effort spent ensuring the SPACETALK's very high quality for consumers with analysis that quantified the value SPACETALK brings for telecommunications companies.

Retail Agreements with Mobile Network Operators are a detailed and demanding process. It requires meeting thorough device quality, App platform, network tuning, data security, data privacy sharing agreements, extremely demanding end-to-end quality standards, passing health and safety testing and many government compliance measures. After a year in the market, and capitalising on our experience in Australia and New Zealand, we have a strong understanding of the value that SPACETALK offers to the operator.

The SPACETALK is a ground breaking product that meets mobile carrier quality standards, has a very comprehensive set of features, excellent reception and sound quality, and great customer service that stands apart from anything else on the market. It has best practice data encryption and is among the most secure children's watch in the world.

Currently, the Mobile Network Operator's business model starts with the acquisition of a new customer, typically in their teens on either a new smartphone or a hand-me-down phone. It costs the Mobile Network Operator an average of \$90 to acquire that customer in Australia. The customer acquisition cost, or CAC, of a SPACETALK customer to a telco is much lower.

SPACETALK offers a Mobile Network Operator a new, responsible way to acquire that customer at an earlier age. This opens up a completely new customer category that has a young demographic not accessible by telcos. SPACETALK has a fully functional kids mobile phone, so a telco can acquire a new customer as early as five or seven years of age and keep them until the customer wants a smartphone. At that point the customer is most likely to continue with the mobile network that provided their SPACETALK SIM, removing the \$90 customer acquisition cost.

SPACETALK's high value for Mobile Network Operators – UK

The UK is a very competitive market with much more customer churn. The cost of acquisition is about four times the average revenue per user, a common measure of a customer's value to a Mobile Network Operator. It can take a long time before the cost of acquisition is paid off and for the contract to become profitable.

The value of SPACETALK to the Mobile Network Operator is high, as UK telcos face steep customer acquisition costs in a saturated, competitive market. A young customer with no incentive to change could remain with the same network for many years. This is a valuable offering for which telcos will remunerate us.

The net market opportunity is about 5.5 million people who do not already use a smartphone, which represents a total revenue potential of \$14.5 billion. While it's unrealistic to expect that any one operator could capture the entire market it is evident that the revenue opportunity and competitive advantage SPACETALK provides is significant.

Watershed UK growth opportunity

In May 2019, we achieved our first UK sales through our website spacetalk.co.uk having already set up a sales and servicing division outside London. This followed extensive planning and research validating that UK parents face similar issues to Australian parents with kids' access to age in-appropriate and therefore dangerous smartphones and cyber bullying.

The UK has 66 million people and the addressable UK market is three times Australia's market. We were delighted in August to secure an agreement with Sky, a leader in customer-led entertainment and communications which has 23 million subscribers.

SPACETALK is sold by Sky Mobile which has 1 million customers, and Sky's pricing on a £10 per month plan is very competitive and targeted to attract families with young children. We receive full payment when the SPACETALK is sold to Sky.

We have entered into an exclusivity agreement which includes minimum sales targets of 25,000 SPACETALK units between 6 August 2019 and 30 September 2020.

Sky will also now sell SPACETALK from 100 Sky retail stands located in top UK shopping centres on their £10 plan.

We are in advanced negotiations with other UK retailers and expect to announce a new retail agreement in the not too distant future. Sky has agreed that when new retailers sell SPACETALK, it can be bundled with a Sky Mobile SIM which, if activated for three months, will benefit the Company through a £15 (ex VAT) bonus commission. A Sky Mobile customer will receive the AllMyTribe app subscription-free for the first 12 months. If the customer uses another SIM, they will pay a £3.99 monthly app fee from commencement.

Sky has committed to a fully funded £1 million marketing campaign through September 2020, with £600,000 to be allocated in the next four months.

Increasing users of SPACETALK

For those attending the AGM, we will show an animation which shows the increasing use of SPACETALK globally. This shows the tremendous growth in the number of users particularly in Australia, New Zealand and the UK.

There are a growing number of users in other countries too – they show up on our systems when they connect to WiFi or activate their mobile network connection. Others have bought SPACETALK in Australia and taken it with them or have heard about it and activated it on a local SIM.

Trading Update

SPACETALK sales have a dynamic growth trajectory which has catapulted revenue to more than 4 million (unaudited) for the year to date¹, which already exceeds company revenue for the full first half of FY19.

This demonstrates how SPACETALK sales have transformed our company as revenue for the full 2018 financial year was \$2.7 million.

Australian and New Zealand sales are growing consistently with greater distribution and are trading above expectations.

UK sales are growing. To date we haven't invested significantly in marketing and sales are largely through word-of-mouth awareness. Today we announced that Sky will be spending £600,000 mostly in the Christmas period targeting the peak retail spending times, and our partner is very optimistic that sales will build significantly over Christmas. Marketing activities will be supported by a major TV and promotional campaign which begins on

¹ Year to date is 1 July 2020 to 22 November 2020.

2 December 2019. We will be showing an early version of the UK TV campaigns after today's AGM.

We have taken the decision to withdraw from an agreement with QVC UK as its model focused on driving impulse purchases, whereas parents purchasing SPACETALK take a more considered decision. The experience, however, has generated great visibility for SPACETALK at low cost, and we have increased our focus on Sky.

UK sales of SPACETALK have contributed \$425,000 year to date. This is 70% above the first six months of sales post-launch in Australia.

SPACETALK unit sales

Two years ago, we were not sure that the market for SPACETALK existed. Today, we have a growing presence and a great opportunity to drive significant revenue growth.

Our busiest period for the first half is the Christmas period and still ahead of us. While it's difficult to predict how many units will sell, retailers are well stocked and their sales forces have been trained in the ease of using SPACETALK and its benefits for parents and kids.

More than 24,000 SPACETALK units are on hand or will be delivered during December.

Year to date sales of 12,800 SPACETALK already exceeds sales of 11,000 SPACETALK for 1H FY19. Australian and New Zealand retailers have sold over 10,000 SPACETALK units.

More than 2,100 SPACETALK have been sold in the UK, which is a great result since signing the agreement with Sky in August.

Growing recurring revenue

The AllMyTribe app is a great asset for parents as it controls the watch features and resolves concerns about their kids' security and safety.

The app helps to keep children safe by allowing regular contact with parents through phone, messaging and GPS. If a child needs help, a special SOS alert function can be customised to call parents. Parents can see their child's location on their smart phone and the app has alerts so should children leave designated safe spaces, parents are notified.

A child's location point can be sent immediately to the app when the watch is activated, and during school hours watch functions can be disabled to prevent distraction.

It's also a source of constantly growing revenue and app subscriptions are now generating recurring revenue of \$82,000 per month. That's a huge increase in just 12 months and compares with total app fees of \$98,000 during 1H FY19.

Christmas marketing campaigns under way

Last year we spent \$1.6 million on marketing in the first three quarters, but although we have three times that distribution now we haven't trebled our marketing costs.

We will spend more this year, around \$1.9 million, but our partners are investing in promotion too. SPACETALK is a new and exciting product that differentiates stores and the media value of retailers' marketing will be about \$2.4 million.

The total marketing value from TV and internet commercials, in-store promotions and other activities will be \$4.3 million for the year to March 2020, more than 2.5 times last year's value.

Some of the marketing benefits we expect to receive include:

- TV
- Radio
- Jetstar in-plane
- Prominent floor displays and positioning in-store
- Store aisle signage
- Regular promotion in catalogues and electronic mailers
- Social media campaigns

In New Zealand, advertising and PR campaigns are underway and SPARK will be actively promoting SPACETALK to its retail partners.

UK marketing campaign

Sky's £1 million campaign will drive much greater brand awareness for SPACETALK during the most important shopping days over Christmas and into 2020. The campaign includes high-impact TV commercials, electronic and direct mail, public relations, social media and co-branded product promotions.

New product opportunities

The back-end engine and software systems behind the SPACETALK watch have many potential uses and three that we are particularly focused on are the aged care market, people with disabilities and field workers.

Our research has indicated strong demand from aged care, and we are accelerating product development for this market.

A next generation 4G watch and platform is well advanced, with a prototype under development and possible launch in the current financial year.

School communications

We built our track record with school communication solutions after discovering in 2002 the application of SMS communications in schools. The company went on to create the world's first SMS-based automated student absence notification solution and many other innovations since then.

While operating in a mature market, this is a stable, profitable subscription business which maintains consistent revenue in line with last year, with good margins and strong positive cash flow.

We have a leading position with 1,400 schools under contract and 1.7 million parents using our community engagement and attendance systems.

Although little has changed over the past year, the company has good growth prospects as we tender for new contracts, and we are near completion on new products for school communities which we expect to launch next quarter. We expect this will restart growth.

Summary

I would like to thank all shareholders, and also Australian investors who participated in the placement in September, which raised \$5.5 million. These funds have been invaluable in positioning and providing a strong capital foundation for SPACETALK for the next phase of growth.

I acknowledge our hard-working and dedicated team, who provide outstanding products and a high level of customer service for our customers and distributors. Our software development and engineering teams have created market leading products. Your passion, creativity and drive makes this company great.

I would also like to thank our customers for the great reviews and word-of-mouth recommendations, our corporate advisers, our stockbrokers that support us with research and our shareholders, some of whom have supported us for many years.

In summary, we have already surpassed sales for 1H FY19 as we move into the busy Christmas season. Wearables are one of the world's fastest growing market sectors and SPACETALK is becoming the 'hot, must have' mobile phone product among children aged between five and 12 for all the right, responsible reasons.

Our work to quantify the value of SPACETALK to mobile network operators has benefited margins. We have greater distribution than ever before and anticipate a strong finish to the half, supported by a massive \$4.3 million marketing campaign.

High-profile advertising and promotion that begins next week in the UK will drive strong awareness of SPACETALK in a market three times the size of Australia's. While it is difficult to anticipate how many SPACETALK we will sell in the months ahead, we have received highly positive feedback from customers, our team is energised, and our partners are excited by the opportunities.

Thank you.