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17 October 2007

Companies Announcement Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

ANNUAL REPORT AND NOTICE OF ANNUAL GENERAL MEETING

MGM Wireless Limited advises that its 2007 Annual Report and Notice of Annual General Meeting has today been despatched to shareholders.

The Annual Report comprises only the documents that were lodged with ASX on 28 September 2007.

The Notice of Annual General Meeting and Annual Report is attached.

Yours faithfully

N J Bassett
Company Secretary



Notice of Annual General Meeting

Explanatory Statement

and

Proxy Form

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of members of MGM Wireless Limited (**MGM** or the **Company**) will be held on Friday, 16th November 2007 commencing at 10.00am at the Radford Auditorium, Adelaide Art Gallery - North Terrace, Adelaide, South Australia.

The enclosed Explanatory Statement accompanies and forms part of this Notice of Annual General Meeting.

AGENDA

ORDINARY BUSINESS

1. Accounts and Reports

To receive and consider the Financial Report of the Company and of the consolidated entity for the year ended 30 June 2007 and the reports by directors and auditors thereon.

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

2. Resolution 1 - Adoption of Remuneration Report

"That the Remuneration Report included in the Annual Report for the financial year ended 30 June 2007 be adopted."

The vote on this resolution is advisory only and does not bind the directors of the Company.

3. Resolution 2 - Re-election of Director (Mr J Dawkins)

"That Mr John Dawkins, having been appointed by the directors until this general meeting in accordance with the Constitution of the Company and, having offered himself for re-election and being eligible, is re-elected a director of the Company."

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

4. Resolution 3 – Ratification of Placement on 28 February 2007

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the prior issue and allotment of 8,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 5.5 cents each to the parties listed in the Explanatory Statement accompanying this Notice of Annual General Meeting and otherwise on the basis set out therein, is ratified and approved."

The Company will disregard any votes cast on this resolution by the parties who participated in the issue as listed in the Explanatory Statement and any associate of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
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5. Resolution 4 – Ratification of Placement on 30 May 2007

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the prior issue and allotment of 924,658 fully paid ordinary shares in the capital of the Company at an issue price of 14.6 cents each to the party listed in the Explanatory Statement accompanying this Notice of Annual General Meeting and otherwise on the basis set out therein, is ratified and approved.”

The Company will disregard any votes cast on this resolution by the party who participated in the issue as listed in the Explanatory Statement and any associate of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6. Resolution 5 – Ratification of Placement on 14 June 2007

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the prior issue and allotment of 6,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 13 cents each to the parties listed in the Explanatory Statement accompanying this Notice of Annual General Meeting and otherwise on the basis set out therein, is ratified and approved.”

The Company will disregard any votes cast on this resolution by the parties who participated in the issue as listed in the Explanatory Statement and any associate of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

7. Resolution 6 – Issue of Incentive Options to Mark Fortunatow

“That, for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act 2001 and for all other purposes, the Company approves the issue and allotment of 4,000,000 Incentive Options by way of remuneration to Mr Mark Fortunatow or his nominee on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Annual General Meeting.”

For the purposes of Listing Rule 10.13.6, the Company will disregard any votes cast on this resolution by any person may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of an ordinary security holder, if the resolution is passed, and any associate of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

8. Resolution 7 – Issue of Incentive Options to Mark Hurd

“That, for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act 2001 and for all other purposes, the Company approves the issue and allotment of 2,500,000 Incentive Options by way of remuneration to Mr Mark Hurd or his nominee on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Annual General Meeting.”

For the purposes of Listing Rule 10.13.6, the Company will disregard any votes cast on this resolution by any person may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of an ordinary security holder, if the resolution is passed, and any associate of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

9. Resolution 8 – Issue of Shares to John Dawkins

“That, for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act 2001 and for all other purposes, the Company approves the issue and allotment of 450,000 Shares by way of remuneration to Mr John Dawkins or his nominee on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Annual General Meeting.”

For the purposes of Listing Rule 10.13.6, the Company will disregard any votes cast on this resolution by any person may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of an ordinary security holder, if the resolution is passed, and any associate of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

For the purposes of determining voting entitlements at the annual general meeting, Shares will be taken to be held by persons who are registered as holding Shares at 10.00am on 14th November 2007. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the annual general meeting.

Proxy and Voting Entitlement Instructions are included on the Proxy Form accompanying this Notice of Annual General Meeting.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Mark Fortunatow', with a stylized flourish at the end.

Mark Fortunatow
Executive Chairman
8 October 2007

EXPLANATORY STATEMENT

1. INTRODUCTION

This Explanatory Statement has been prepared for the information of members of MGM Wireless Limited in connection with the business to be conducted at the annual general meeting of members to be held at the Radford Auditorium, Adelaide Art Gallery - North Terrace, Adelaide, South Australia on Friday, 16th November 2007 commencing at 10.00am.

This Explanatory Statement forms part of and should be read in conjunction with the accompanying Notice of Annual General Meeting.

ASX Listing Rule Requirements

ASX Listing Rule 7.1 relevantly provides that the prior approval of the shareholders of MGM is required to an issue of equity securities if the securities will, when aggregated with the securities issued by MGM during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.1 provides that, where a company in general meeting approves an issue of equity securities such approval enables the company to issue further equity securities without exceeding the 15% in 12 months limitation. In addition ASX Listing Rule 7.4 provides that, where a company in general meeting ratifies an issue of equity securities the issue will be treated as having been made with approval for the purpose of ASX Listing Rule 7.1.

The company is seeking shareholder approval to the prior issue of securities pursuant to resolutions 3, 4 and 5.

The information required by ASX Listing Rules 7.1 and 7.5 to be provided to shareholders is contained within this Explanatory Statement and the Notice of Annual General Meeting.

ASX Listing Rule 10.11 relevantly provides that the prior approval of shareholders of MGM is required for the issue of equity securities to a related party. If approval is given for the issue of securities under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1. ASX Listing Rule 10.13 sets out the information to be provided to shareholders in the notice of meeting. The company is seeking shareholder approval to the proposed allotments to related parties pursuant to resolutions 6, 7 and 8.

Corporations Act Requirements

Chapter 2E of the Corporations Act prohibits, subject to certain exceptions, a company from giving a financial benefit to a related party of the company without prior shareholder approval.

Mr M Fortunatow, Mr M Hurd and Mr J Dawkins, (parties to which resolutions 6, 7 and 8 relate) are considered "related parties" for this purpose, whilst the issue of Incentive Options and Shares to them constitutes a "financial benefit" for this purpose.

The information required by Chapter 2E of the Corporations Act to be provided to shareholders is contained within this Explanatory Statement and the Notice of Annual General Meeting.

2. 2007 ANNUAL REPORT

In accordance with the requirements of the Company's Constitution and the Corporations Act 2001, the 2007 Annual Report will be tabled at the annual general meeting. Shareholders will have the opportunity of discussing the Annual Report and making comments and raising queries in relation to the Report.

Representatives from the Company's auditors, RSM Bird Cameron, will be present to take shareholders' questions and comments about the conduct of the audit and the preparation and content of the audit report.

3. ADOPTION OF REMUNERATION REPORT – Resolution 1

The Annual Report for the financial year ended 30 June 2007 contains a Remuneration Report, which forms part of the Directors' Report and sets out the remuneration policy for the Company and its controlled entities, and reports the remuneration arrangements in place for executive directors, senior management and non-executive directors.

The Corporations Act 2001 requires listed companies to put an annual non-binding resolution to shareholders to adopt the Remuneration Report. In line with the legislation, this vote will be advisory only, and does not bind the Directors or the Company. However, the Board will take the outcome of vote into consideration when considering the Company's remuneration policy.

4. RE-ELECTION OF DIRECTOR – Resolution 2

In accordance with the requirements of the Company's Constitution and the Corporations Act 2001, one-third of the directors of the Company retire from office at this annual general meeting of the Company and, being eligible, may offer themselves for re-election. Mr Sciano, who was due to retire by rotation, has elected not to seek re-election. Directors who have been appointed since the last annual general meeting also retire and, being eligible, offer themselves for election.

Details of directors' qualifications and experience are available in the Annual Report accompanying this notice of annual general meeting.

5. RATIFICATION OF PLACEMENT (28 February 2007) – Resolution 3

Resolution 3 of the Notice of Annual General Meeting proposes the ratification for the issue and allotment of 8,000,000 Shares on 28 February 2007, thereby satisfying the requirements of ASX Listing Rule 7.4.

In compliance with the information requirements of ASX Listing Rule 7.5 members are advised of the following particulars in relation to the placement:

- (a) Number of securities allotted:

8,000,000 Shares

- (b) Price at which the securities were issued:

5.5 cents per Share

- (c) Terms of the securities:

The Shares rank equally in all respects with the existing Shares on issue.

- (d) Names of the allottees:

	Number
Taycol Nominees Pty Ltd	3,500,000
Mr Francis George & Mrs Danielle Georgette Heppingstone <FG Heppingstone P/L S/F a/c>	1,090,909
Mrs Eleanor Irene Douglas Herriott	363,636
Ronatac Pty Ltd <Master Carpets s/f a/c>	363,636
Mrs Barbara Woodland	590,909
Davies Nominees Pty Ltd <Super Duper Super Fund a/c>	2,000,000
Mr Jan Per-Hole	90,910
Total	<u>8,000,000</u>

- (e) Intended use of funds raised:

The purpose of the issue was to provide funds to be used for marketing and distribution costs associated with the expansion of messageyou text message system in the United States of America.

6. RATIFICATION OF PLACEMENT (30 May 2007) – Resolution 4

Resolution 4 of the Notice of Annual General Meeting proposes the ratification for the issue and allotment of 924,658 Shares on 30 May 2007, thereby satisfying the requirements of ASX Listing Rule 7.4.

In compliance with the information requirements of ASX Listing Rule 7.5 members are advised of the following particulars in relation to the placement:

- (a) Number of securities allotted:

924,658 Shares

- (b) Price at which the securities were issued:

14.6 cents per Share

- (c) Terms of the securities:

The Shares rank equally in all respects with the existing Shares on issue.

- (d) Name of the allottee:

Exceda Pty Ltd

- (e) Intended use of funds raised:

No funds were raised by the issue. The Shares were issued as consideration for acquisition of the Queensland distribution rights to MGM's leading-edge school attendance solutions software.

7. RATIFICATION OF PLACEMENT (14 June 2007) – Resolution 5

Resolution 5 of the Notice of Annual General Meeting proposes the ratification for the issue and allotment of 6,000,000 Shares on 14 June 2007, thereby satisfying the requirements of ASX Listing Rule 7.4.

In compliance with the information requirements of ASX Listing Rule 7.5 members are advised of the following particulars in relation to the placement:

- (a) Number of securities allotted:

6,000,000 Shares

- (b) Price at which the securities were issued:

13 cents per Share

- (c) Terms of the securities:

The Shares rank equally in all respects with the existing Shares on issue.

(d) Names of the allottees:

	Number
Taycol Nominees Pty Ltd	3,000,000
Coz-e Pty Ltd <Cossetto Family A/c>	230,000
Ronatac Pty Ltd <Master Carpets s/f a/c>	350,000
Dr Stanley Victor Catts	150,000
Dunscroft Pty Ltd <Ellaram Family A/C>	77,000
Davies Nominees Pty Ltd <Super Duper Super Fund a/c>	693,000
Mr Geoffrey Peter Ballard <Ballsup Fund A/C>	300,000
Rylet Pty Ltd	300,000
Phantom Management Pty Ltd <Araluen Unit A/C>	200,000
Trifern Pty Ltd <Larsen Family A/C>	300,000
Yavern Creek Holdings Pty Ltd	400,000
Total	<u>6,000,000</u>

(e) Intended use of funds raised:

The purpose of the issue was to provide funds to further advance the company's operations in the United States of America.

8. ISSUE OF SECURITIES TO DIRECTORS (Resolutions 6, 7 and 8)

8.1 Purpose of Issue of Incentive Options and Shares

The purpose of the issue is to remunerate the specified directors, or their nominees as an incentive for future services. The Directors believe that the future success of the Company will depend in large measure on the skills and motivation of the people engaged in and overseeing the management of the Company's operations. It is therefore important that the Company is able to attract and retain people of the highest calibre.

The Directors consider that the most appropriate means of achieving this is to provide the directors with an opportunity to participate in the Company's future growth and give them an incentive to contribute to that growth.

Issue of securities as part of the remuneration packages of directors and key consultants is a well established practice of junior public listed companies and, in the case of the Company, has the benefit of conserving cash whilst properly rewarding directors and consultants.

In determining the number of securities to be issued and the terms, consideration was given to the relevant experience and role of each of the directors, their respective overall remuneration terms, the market price and performance of the Company's shares and the terms of issue of the securities.

The securities will be issued for no cash consideration. The Incentive Options will be issued on the terms and conditions set out in Annexure "A". The Shares to be issued to Mr Dawkins will rank equally with the existing Shares on issue.

The proposed related party participants in the issue of the securities and the number of securities to be issued are as detailed in section 3.2, 3.3 and 3.4.

8.2 Issue of Incentive Options to Mr Mark Fortunatow

The company seeks approval for the issue of 4,000,000 Incentive Options to Mr Mark Fortunatow or his nominee.

The Incentive Options proposed to be issued to Mr Fortunatow or his nominee, are not listed and are non-transferable.

8.3 Issue of Incentive Options to Mr Mark Hurd

The company seeks approval for the issue of 2,500,000 Incentive Options to Mr Mark Hurd or his nominee.

The Incentive Options proposed to be issued to Mr Hurd are not listed and are non transferable.

8.4 Issue of Shares to Mr John Dawkins

The company seeks approval for the issue of 450,000 Shares to Mr John Dawkins or his nominee.

The Shares proposed to be issued to Mr Dawkins will rank equally with existing Shares on issue.

8.5 Other Information

The Incentive Options and Shares referred to in resolutions 6, 7 and 8 will be issued free of charge and within one month after the date of this meeting to the nominated Directors.

In accordance with section 219 of the Act (and, in satisfaction of the information requirements of ASX Listing Rule 10.13), the following information is provided to shareholders to allow them to assess whether or not it is in the Company's interests to pass resolutions 6, 7 and 8:

- (a) Mr Fortunatow, Mr Hurd and Mr Dawkins, are the related parties to whom the proposed resolutions would permit a financial benefit to be given. They are a related party to the Company by virtue of section 228 of the Act.
- (b) The nature of the financial benefit to be given to the related parties is the allotment of the Incentive Options free of charge on the terms and conditions set out in Annexure "A" and Shares ranking equally with existing Shares on issue.

On the basis of the indicative option value, as detailed herein, the value of options proposed to be issued to the related parties and the market value of Shares to be issued, is as follows:

Director	Type of Security	Number	Indicative Value \$
Mark Fortunatow	Incentive Option	4,000,000	116,200
Mark Hurd	Incentive Option	2,500,000	72,625
John Dawkins	Shares	450,000	74,250

The options are unlisted and non transferable. The options must be exercised on or before 31 January 2011, after which date such options automatically lapse.

- (c) The current annual directors' remuneration for Messrs Fortunatow, Hurd and Dawkins is as follows:

Director	Position	Remuneration \$
Mark Fortunatow	Executive Chairman	231,318.00
Mark Hurd	Executive Director	163,500.00
John Dawkins	Non-Executive Director	50,000.00

For the year ended 30 June 2007 remuneration paid to directors was as follows:

Director	Salary and Fees	Superannuation
	\$	\$
Mark Fortunatow	222,993	8,325
Mark Hurd	150,000	13,500

Mr Dawkins was appointed as a director on 17 August 2007.

- (d) Excluding any options proposed to be allotted to the related parties pursuant to proposed resolutions 6, 7 and 8, Mr Fortunatow, Mr Hurd and Mr Dawkins have a relevant interest in the securities set out below:

Mark Fortunatow

- 41,743,046 ordinary fully paid shares
- 2,500,000 options expiring 31 December 2007, exercisable at 3 cents each
- 1,500,000 options expiring 31 January 2010, exercisable at 7 cents each
- 1,500,000 options expiring 31 January 2010, exercisable at 9 cents each

Mark Hurd

- 12,542,500 ordinary fully paid shares
- 2,500,000 options expiring 31 December 2007, exercisable at 3 cents each
- 1,500,000 options expiring 31 January 2010, exercisable at 7 cents each
- 1,500,000 options expiring 31 January 2010, exercisable at 9 cents each

John Dawkins

- Nil

- (e) All Directors were available to consider resolutions 6, 7 and 8 except for the director to whom the securities are proposed to be issued under the relevant resolution.
- (f) Richard Sciano (who does not have interest in resolutions 6, 7 or 8) recommends to members that they vote in favour of resolutions 6, 7 and 8 for the reasons set out in this Explanatory Statement.
- (g) Mr M Fortunatow does not wish to make any recommendation to members in his capacity as a director of the Company in relation to proposed resolutions 6, 7 and 8 because of his interest in the proposed grant of options the subject of resolution 6.
- (h) Mr M Hurd does not wish to make any recommendation to members in his capacity as a director of the Company in relation to proposed resolutions 6, 7 and 8 because of his interest in the proposed grant of options the subject of resolution 7.
- (i) Mr J Dawkins does not wish to make any recommendation to members in his capacity as a director of the Company in relation to proposed resolutions 6, 7 and 8 because of his interest in the proposed issue of Shares the subject of resolution 8.
- (j) None of the directors, other than Mr M Fortunatow have an interest in the outcome of the proposed resolution 6.
- (k) None of the directors, other than Mr M Hurd have an interest in the outcome of the proposed resolution 7.
- (l) None of the directors, other than Mr J Dawkins have an interest in the outcome of the proposed resolution 8.
- (m) Mr M Fortunatow has an interest in resolution 6. Mr M Hurd has an interest in resolution 7. Mr J Dawkins has an interest in resolution 8. Details of the potential benefits and costs to the Company are listed below.

- (n) There is no other information known to the Directors or the Company that is reasonably required by shareholders to make a decision whether or not it is in the Company's interests to pass resolutions 6, 7 and 8, other than as set out throughout this Explanatory Statement. The Directors believe that options (for both executive and non-executive directors) are a cost effective benefit for small companies that seek to conserve cash reserves.

Potential Benefits

If the securities are issued pursuant to the proposed resolutions, the Company considers the following benefits arise:

- Mr Fortunatow, Mr Hurd and Mr Dawkins will have a vested interest in the affairs of the Company. In the case of Mr Fortunatow and Mr Hurd, as options are a performance based incentive, they will have that incentive to ensure the market price of the shares of the Company increases to create value in the options and this will benefit all shareholders.
- The issue of securities is a non-cash form of remuneration, thus conserving liquid funds.
- The exercise of the options proposed to be issued to Mr Fortunatow and Mr Hurd will provide working capital for the company at no significant cost. If all the options proposed to be issued pursuant to resolutions 6 and 7 are ultimately exercised, an amount of \$1,430,000 would be raised.

Dilution Effect and Potential Costs

The potential cost to the Company of the issue of an aggregate of 6,500,000 Incentive Options and 450,000 Shares pursuant to resolutions 6, 7 and 8 is that there will be a dilution of the issued share capital as a result of the issue of Shares and further if the Incentive Options are exercised. Based on 182,046,348 Shares currently on issue, the issue of Shares and subsequent exercise of the proposed options to related parties would have a dilution effect of approximately 3.7% of non-associated shareholders interest in the company.

If the other existing options on issue held by third parties were also to be exercised, the dilution effect would be reduced. There are currently on issue, 8,500,000 options exercisable at 3 cents each on or before 31 December 2007 (6,000,000 held by directors), 5,400,000 options exercisable at 7 cents each on or before 31 January 2010 (3,300,000 held by directors), 3,000,000 options exercisable at 9 cents each on or before 31 January 2010 (3,000,000 held by directors), 14,103,380 options exercisable at 20 cents each on or before 30 November 2010 (Nil held by directors) and 5,100,000 options exercisable at 20 cents each on or before 31 December 2010 (Nil held by directors).

The Directors do not consider that there are any opportunity costs to the Company or benefits foregone by the Company in respect of the proposed issue of shares and options other than, if the options are exercised at a time when the market price of the Company's shares is greater than the exercise price of the options, there will be a detriment insofar as the Company will be required to issue shares at a price lower than it might otherwise have been able to, with the result that less funds will be raised.

Indicative Value of Incentive Options

The value of Incentive Options to be issued has been calculated using the Black-Scholes Option Pricing Model ("the Model"). The value of an option calculated by the Model is a function of a number of variables. The indicative value of the Incentive Options has been prepared using the following variables:

Valuation Date	8 October 2007
Expiry Date	31 January 2011
Underlying Share Price	16.5 cents
Exercise Price	22 cents
Vesting Date	8 October 2007
Expected Life	1,210 days
Risk Free Rate	6.48%
Volatility	39%
Black-Scholes Notional Value	4.15 cents

The underlying share price of 16.5 cents is based on the closing price of the shares on 8 October 2007. It is considered appropriate to adjust the notional value calculated under the Model by a discount of 30% due to lack of marketability, as the Incentive Options are non transferable.

Based on the above variables the indicative value of the Incentive options proposed to be issued to related parties is as detailed in (b) above.

The Company's Shares are listed for quotation on ASX. Over the last twelve months the trading history of the shares has been as follows:

	Shares	
	Date	Price
Low	12/10/06	4.2¢
High	25/7/07	21.0¢
	26/7/07	
	27/7/07	
Latest Available Price	8/10/07	16.5¢

ASX Requirements

In compliance with the information requirements of ASX Listing Rule 10.13 members are advised of the following particulars in relation to the proposed issue of shares and options under resolutions 6, 7 and 8:

(a) Maximum number of securities to be issued:

6,500,000 Incentive Options

450,000 Shares

(b) Date by which the Company will issue options:

No later than one month after the date of the meeting.

(c) Price at which securities to be issued:

The securities are being issued to remunerate the specified directors as an incentive for future services.

(d) Names of the allottees:

Mark Furtunatow, Mark Hurd and John Dawkins (refer Section 3.2, 3.3 and 3.4).

(e) Terms of issue:

The Incentive Options will be issued on the terms and conditions as outlined in Appendix "A".

The Shares will rank equally with Shares currently on issue.

(f) Intended use of funds raised:

The securities will be issued for no consideration. There are no funds being raised from the allotment as the securities will be issued as an incentive for future services.

(g) Dates of allotment:

Allotment will occur on one date.

9. DEFINITIONS

ASX	means Australian Securities Exchange.
ASX Listing Rules	means the official listing rules of ASX.
Corporations Act	means the Corporations Act 2001 (Cth).
Director	means a director of the Company.
Incentive Option	means an options to acquire a Share on the terms and conditions as specified in Annexure "A".
MGM or the Company	means MGM Wireless Limited (ABN 93 091 351 530)
Share	means a fully paid ordinary share in the capital of the Company and Shares has a corresponding meaning.

ANNEXURE "A"

Terms and Conditions of Incentive Options

The options granted will entitle the holder to subscribe for and be allotted Shares as follows:

- (i) each option entitles the holder to subscribe for and be allotted one fully paid ordinary share upon payment of \$0.22 per option.
- (ii) the options shall lapse at 5.00pm Western Standard Time on 31 January 2011.
- (iii) the options shall be exercisable wholly or in part by notice in writing to the directors of the Company at any time until the expiry date on payment of \$0.22 per option.
- (iv) the options are non-transferable and no application will be made to the ASX for Official Quotation of the options.
- (v) there are no participating rights or entitlements inherent in the options and holders of the options will not be entitled to participate in new issues of capital which may be offered to shareholders during the currency of the option.

However, option holders have the right to exercise their options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the options, and will be granted a period of at least 9 business days before the date for determining entitlements to exercise the options.

- (vi) There are no rights to a change in exercise price, or in the number of Shares over which the options can be exercised, in the event of a pro rata or bonus issue of securities by the Company prior to the exercise of any options.
- (vii) within 10 business days of receipt of a properly executed option notice and the required application monies the number of shares specified in the notice will be allotted.
- (viii) shares issued on the exercise of the options will rank pari-passu with the then existing issued ordinary shares. The Company will apply for Official Quotation by ASX of all shares issued upon exercise of the options within three business days after the date of allotment of those shares.
- (ix) in the event of any reorganisation (including reconstruction, consolidation, subdivision, reduction or return) of the issued capital of the Company, the options will be reorganised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.

MGM WIRELESS LIMITED

ABN 93 091 351 530

PROXY FORM

The Secretary
MGM Wireless Limited
Suite 13, The Parks
154 Fullarton Road
Rose Park SA 5067

I/We (full name) _____

of _____

being a member(s) of MGM Wireless Limited, hereby appoint as my/our proxy

of _____

or, failing him/her the Chairperson of the Meeting to attend and vote for me/us at the general meeting of the Company to be held at 10.00am on Friday, 16th November 2007 and at an adjournment thereof in respect of _____% of my/our shares or, failing any number being specified, ALL of my/our shares in the Company.

RESOLUTIONS

	FOR	AGAINST	ABSTAIN
1 Adoption of Remuneration Report	☐	☐	☐
2 Re-election of Director – J Dawkins	☐	☐	☐
3 Ratification of Placement – 28 February 2007	☐	☐	☐
4 Ratification of Placement – 30 May 2007	☐	☐	☐
5 Ratification of Placement – 14 June 2007	☐	☐	☐
6 Grant of Incentive Options – M Fortunatow	☐	☐	☐
7 Grant of Incentive Options – M Hurd	☐	☐	☐
8 Issue of Shares – J Dawkins	☐	☐	☐

If the member is an individual or joint holder:

Usual Signature

Usual Signature

Dated this _____ day of _____

2007.

If the member is a Company:

Signed in accordance with the Constitution
of the company in the presence of:

Director/Sole Director

Director/Secretary

Sole Director and Sole Secretary

Dated this _____ day of _____

2007.

MGM WIRELESS LIMITED

ABN 93 091 351 530

INSTRUCTIONS AS TO VOTING – RESOLUTION 6

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect to the resolution, please place a mark in the box.

☐

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution and that votes cast by the Chair of the meeting other than as proxy holder will be disregarded because of that interest.

If you do not mark the box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

NOTES

1. A member entitled to attend and vote is entitled to appoint not more than two proxies.
2. Where more than one proxy is appointed and that appointment does not specify the proportion or number of the member's votes, each proxy may exercise half of the votes.
3. A proxy need not be a member of the Company.

A proxy is not entitled to vote unless the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed is either deposited at the registered office of the Company (Suite 13, The Parks, 154 Fullarton Road, Rose Park SA 5067) or sent by facsimile to that office on Fax: 08 8431 2400 to be received not less than 48 hours prior to the time of the meeting.

4. If the member is a company it must execute under its Common Seal or otherwise in accordance with its Constitution.
6. The Chairman intends to vote all undirected proxies in favour of the resolutions, except with resolution 6, 7 and 8. The Corporations Act does not allow the Chairman to vote undirected proxies in case of resolution 6, 7 and 8.

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2007 Annual Report

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MGM WIRELESS LIMITED

CORPORATE DIRECTORY

DIRECTORS

Mark Fortunatow
Executive Chairman

Mark Hurd
Executive Director

The Hon John Dawkins AO
Non-Executive Director

Richard Sciano
Non-Executive Director

SECRETARY

Neville Bassett

REGISTERED OFFICE

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

PRINCIPAL OFFICE

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

Telephone: (08) 8431 2300
Facsimile: (08) 8431 2400

AUDITOR

RSM Bird Cameron Partners
8 St George's Terrace
Perth WA 6000

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2
45 St George's Terrace
Perth WA 6000

Telephone: 1300 557 010
(08) 9323 2000
Facsimile: (08) 9323 2033

STOCK EXCHANGE

The securities of MGM Wireless Limited are listed on the Australian Securities Exchange.

ASX Codes: MWR ordinary fully paid shares
MWRO options, expiring 30 November 2010

MGM WIRELESS LIMITED

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities for the year ended 30 June 2007.

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
Mark Edwin Hurd
John Sydney Dawkins – appointed 17 August 2007
Richard Salvatore Sciano

INFORMATION ON DIRECTORS

Mark Fortunatow BSc BEc – Executive Chairman

Executive Chairman Mark Fortunatow, founder and chief executive of the Company's subsidiary MGM Wireless Holdings Pty Ltd, brings more than 15 years of senior executive management experience in marketing, engineering, information systems, finance and customer support.

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 (a company designing, engineering, selling and distributing voice based mobile wireless solutions), accumulating substantial practical experience in the many disciplines required to successfully launch and sustainably grow a successful technology enterprise.

Mr Fortunatow is on the Board of Directors of the Asthma Foundation of South Australia Incorporated.

He holds a degree of Bachelor of Science and Bachelor of Economics from Adelaide University.

Director since 3 October 2003.

No other directorships in listed companies in the last 3 years.

Mark Edwin Hurd BSc(Hons) – Executive Director

Mr Hurd is co-founder and Chief Technical Officer of MGM Wireless Holdings Pty Ltd.

He holds an honours degree in Mathematical and Computer Sciences and has received numerous awards for outstanding academic and software engineering achievements. He is the chief architect of MGM's technology.

A regular active contributor to Microsoft technical forums, Mr Hurd is sought after internationally by leading software engineers and corporations for his advice and software architecture expertise.

Prior to MGM, Mr Hurd was Chief Technical Officer at Netline Technologies, and before that held positions with Logica and Coopers and Lybrand and carried out numerous academic research projects.

In 1998, Mr Hurd co-founded Netline Technologies to design, engineer, sell and distribute voice-based mobile wireless solutions. The company achievements included winning the "Most outstanding Wireless Mobile Product" trophy at Internet World 2000, for E-Fone.

Director since 3 October 2003.

No other directorships in listed companies in the last 3 years.

John Sydney Dawkins AO BEc – Non-executive Director

Mr Dawkins served in the Australian Federal Government as Treasurer and Minister for Employment, Education and Training among other posts.

Following his retirement from politics in 1994, he commenced building a career in business as a strategic advisor and board member. For nine years he was chairman of Elders Rural Bank and for nearly 10 years served on the Board of Sealcorp Holdings, now Asgard Wealth Solutions. His current appointments include Chairman of Retail Energy Market Company and Integrated Legal Holdings Ltd and Director of Genetic Technologies Ltd and Government Relations Australia.

He has maintained his interest in education policy, participating in education policy reviews for the World Bank and the OECD in five countries, including Ireland and Malaysia. In 2001 he undertook a review of Education Adelaide for the South Australian Government.

MGM WIRELESS LIMITED

DIRECTORS' REPORT

As well as holding a degree in economics, he has been awarded honorary doctorates from the University of South Australia and Queensland University of Technology.

Director since 17 August 2007.

During the past 3 years, Mr Dawkins has also served as a director of the following listed companies:

- Integrated Legal Holdings Ltd (6 October 2006 to present)
- Genetic Technologies Ltd (24 November 2004 to present)

Richard Salvatore Sciano – Non-executive Director

Mr Sciano was born and educated in Western Australia. He has been involved in the Australian property investment and development industry for over 15 years. Mr Sciano is also the Executive Director of ASX-listed minerals explorer Golden State Resources Ltd, and a director of a number of private companies whose businesses are focused on property investment and development.

Director since 2 January 2003.

During the past 3 years, Mr Sciano has also served as a director of the following listed companies:

- Golden State Resources Limited (January 2003 – present)

COMPANY SECRETARY

Neville John Bassett B.Bus, CA – Mr Bassett was appointed company secretary on 16 March 1999. A chartered accountant with over 26 years experience. Mr Bassett has been involved with a diverse range of Australian public listed companies in directorial, company secretarial and financial roles.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The relevant interest of each Director in the shares and options of the Company at the date of this Report is as follows:

Mark Fortunatow

- 41,743,046 ordinary fully paid shares
- 2,500,000 options expiring 31 December 2007, exercisable at 3 cents each
- 1,500,000 options expiring 31 January 2010, exercisable at 7 cents each
- 1,500,000 options expiring 31 January 2010, exercisable at 9 cents each

Mark Hurd

- 12,542,500 ordinary fully paid shares
- 2,500,000 options expiring 31 December 2007, exercisable at 3 cents each
- 1,500,000 options expiring 31 January 2010, exercisable at 7 cents each
- 1,500,000 options expiring 31 January 2010, exercisable at 9 cents each

John Dawkins

- Nil

Richard Sciano

- 1,000,000 options expiring 31 December 2007, exercisable at 3 cents each
- 300,000 options expiring 31 January 2010, exercisable at 7 cents each

PRINCIPAL ACTIVITY

The principal activity and focus of the Company's operations during the period was a single source provider of mobile messaging solutions for business enterprises.

OPERATING RESULTS

The amount of the operating loss attributable to members of the Company after income tax was \$783,932 (2006: \$631,148 – loss).

DIVIDENDS

Since the incorporation of the Company, no dividends have been paid by the Company or are recommended to be paid by the directors.

MGM WIRELESS LIMITED

DIRECTORS' REPORT

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS IN THE FUTURE

The Directors of MGM Wireless Limited are pleased to report a very successful year and the achievement of many significant milestones for the company, including:

- Successful completion of USA trials and opening of operations in Silicon Valley, California
- Signing of a co-marketing and co-branding agreement with USA school services leader VIP Tone
- Winning US School District contracts in California and Arizona
- Winning 'preferred tenderer' status for all WA public schools
- Signing agreement for the Indian sub-continent with Roltin Global
- Trials commenced in prestigious Indian schools
- Continued impressive growth in Australia, which includes record revenues of \$2.198m for the year to end June 2007, up 10% on the previous year.
- 354% increase in market capitalisation June 30 '06 - \$7.2m, June 30 '07 - \$32.7m
- Record volumes of SMS communication traffic through our networks.
- Reinforcement of our dominant market and technology position in the school - parent communication industry through ongoing R&D and establishing strong relationships with key influencers in the schools market

Net loss before tax was \$783,932 after expensing the following costs:

Amortisation of original Intellectual Property	153,200
Non-capitalised R & D expenditure	220,826
USA & India expansion expenditure	231,064
Total	\$ 605,090

After elimination of the above, Operating Loss would be: \$178,842. The company ended the year with cash on hand of \$806,000.

We are very pleased with these results, which are the result of focus and unflagging determination by MGM Wireless employees, management and directors. We are confident the momentum and enthusiasm generated in 2007 will enable us to continue to report strong results in 2008 and beyond.

US Operations

The company opened operations at Sunnyvale, Cal, in January 2007 trading as Messageyou, LLC.

Within three months, the new operation had its first large customer, the San Leandro School District in Northern California, and weeks later closed a sale to the Sahuarita School District in Tucson, Arizona, which followed from extensive trials in 2006.

The company also entered an alliance with VIP Tone, a leading school management software company in the US, to integrate the messageyou™ suite with its products and co-market the offering to existing and new customers.

With a market of more than 40,000 schools, the US continues to present opportunities for substantial growth. School funding is based on daily attendance, not enrolment, and the US Federal Government provides a substantial grants program to address the growing problem of truancy and the associated dropout rate for high school students.

Following the tragic shootings at the Virginia Tech campus, crisis communication has become a major driver for US sales.

The company has familiarised itself with local buying patterns and issues facing the Education sector and is now realising the benefits of its market research with a strong pipeline of leads and negotiations under way with School Districts in Texas, Florida and California.

MGM WIRELESS LIMITED

DIRECTORS' REPORT

Domestic Growth

In Australia, the company's progress in the WA schools market of a competitive tender for the provision of School Attendance Communication services has further consolidated its position as the leading provider of text messaging to schools.

This is a significant achievement against both local and international suppliers and is the first state-wide project of its kind in the world.

This single agreement has the potential to triple the company's customer base, with an anticipated initial order for 400 schools.

Nationally, the company continued to win significant new customers, including influential schools in the public, Catholic and independent sectors.

SMS Traffic Growth

Crisis communications was a factor in growth of SMS traffic volumes, with the company breaking the 100,000 texts-per-week barrier during the severe storms on the NSW East Coast in early 2007. In addition, the company is seeing schools use text communication for a growing diversity of applications outside attendance.

Because the company operates its own SMS communication network, increased communication becomes a more significant, valuable and reliable source of revenue growth.

Indian Joint Venture

The company entered a joint venture with Roltin Global, a well-connected, diversified group with strong relationships in the Indian schools sector. Roltin has established trials of messageyou™ in the Delhi Public School and St Xavier's Boys High School, both in Ahmedabad, the seventh largest city in India, with a population of almost 5.3 million.

India has 1 million secondary schools alone and a sophisticated technology sector. Solid growth is therefore anticipated following on the announcement of successful trials.

Board Appointments

The company is pleased to have appointed former Federal Education Minister and Treasurer John Dawkins AO as a non-executive director.

Mr Dawkins has provided consulting and mentoring services to MGM for the past two years during a period of strong and consistent growth. He brings his deep experience in education policy to the board and his expertise in corporate governance as a director of both unlisted and listed companies over the past 12 years.

Following his retirement from politics in 1994, Mr Dawkins commenced building a career in business as a strategic advisor and board member. For nine years he was chairman of Elders Rural Bank and for nearly 10 years served on the board of Sealcorp Holdings, now Asgard Wealth Solutions. His current appointments include Chairman of Retail Energy Market Company and Integrated Legal Holdings and Director of Genetic Technologies and Government Relations Australia.

He has maintained his interest in education policy, participating in education policy reviews for the World Bank and the OECD in five countries, including Ireland and Malaysia. In 2001 he undertook a review of Education Adelaide for the SA Government.

Corporate Capability Strengthened

The company made, and will continue to make, significant additions and improvements to our internal management information and communication systems. This has resulted in streamlined processes and the establishment of the infrastructure to support our future growth. These systems provide on-line access to data enabling timely decision making and enhanced productivity.

Recognising that our employees are our most valuable asset, we have commenced the process of expanding our human resource function to provide additional organisational and employee counselling, and enhance employee training and development programs.

MGM WIRELESS LIMITED

DIRECTORS' REPORT

Product Developments

MGM Wireless has continued its tradition of product leadership. We believe in continuous innovation to deliver new and improved products and services to drive the company's competitiveness and revenue growth. The company delivers both evolutionary and revolutionary changes. This year, we delivered substantial advances in all our existing products with across-the-board new version updates that not only delivered valuable improved functionality and features, but also substantially lowered our implementation and on-going support costs. These advances will drive both top line and bottom line growth.

The company has also been developing revolutionary new products that are currently in beta testing with several influential schools. These exciting new products will further enhance and enrich school to parent communication and also deliver more rapid growth opportunities to the company.

The company plans to launch the first of these products on October 8, 2007, at the Australian School Bursars Association (ASBA) conference in Adelaide.

Summary

This has been a year of great progress for MGM Wireless. As we look to the year ahead, we believe we are very well positioned to take advantage of our growth opportunities. We will continue to invest wisely for the future and build on our many strengths to meet our customers' needs, increase shareholder value, and maintain a stimulating and productive environment for our employees.

We are optimistic about our future, and look forward to reporting to you on our progress.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, the Company raised additional capital of \$1,295,000 from the issue of:

- 8,000,000 ordinary fully paid shares at 5.5 cents per share, raising \$440,000
- 6,000,000 ordinary fully paid shares at 13 cents per share, raising \$780,000
- 2,500,000 ordinary fully paid shares on the exercise of unlisted options, raising \$75,000

The company also issued 924,658 ordinary fully paid shares as consideration to secure the Queensland distribution rights of Messageyou.

In the opinion of the Directors, there were no other 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 END OF THE FINANCIAL YEAR

Since the end of the financial year under review and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the consolidated entity, in subsequent financial years, other than as detailed in the Review of Operations.

LIKELY DEVELOPMENTS

Comments on likely developments and expected results have been covered generally herein and in the Review of Operations.

MEETINGS OF DIRECTORS

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

Directors	Number of Meetings Held whilst in office	Number of meetings Attended
M Fortunatow	16	16
M Hurd	16	16
R Sciano	16	16

MGM WIRELESS LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director and executive of MGM Wireless Limited. The information provided in the remuneration report includes remuneration disclosures that are required under Accounting Standard AASB 124 "Related Party Disclosures". These disclosures have been transferred from the financial report and have been audited.

A. Remuneration policy (audited)

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. 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 company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and directors are remunerated to a level consistent with the size of the company.

The executive directors and full time executives receive a superannuation guarantee contribution required by the government, which is currently 9%, 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.

Performance-based remuneration

The company does not pay any performance-based component of salaries.

B. Details of remuneration for year ended 30 June 2007 (audited)

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:

	Year	Primary		Post Employment	Share Based	Other	Total
		Salary and fees \$	Cash Bonus \$	Superannuation \$	Options \$	\$	
Directors							
M Fortunatow	2007	222,993	-	8,325	-	-	231,318
	2006	207,576	-	14,661	17,430	-	239,667
M Hurd	2007	150,000	-	13,500	-	-	163,500
	2006	146,538	-	13,188	17,430	-	177,156
R Sciano	2007	24,000	-	-	-	-	24,000
	2006	24,000	-	-	2,247	-	26,247

There were no executives of the company at any time during the year.

There were no performance related payments made during the year.

The Black and Scholes valuation was used to value the options issued as share-based payments. The following factors and assumptions were used in determining the fair value of options on grant date:

Expiry Date	Fair Value per Option	Exercise Price	Estimated Volatility	Risk Free Interest Rate
31 January 2010	\$0.0075	\$0.07	25%	5.19%
31 January 2010	\$0.0041	\$0.09	25%	5.19%

A discount factor of 30% has been applied to the determined fair value due to the lack of marketability, as the options are unlisted and are non-transferable.

C. Employment contracts of directors and senior executives (audited)

The employment arrangements of the directors are not formalised in a contract of employment.

MGM WIRELESS LIMITED

DIRECTORS' REPORT

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are set out in the Corporate Governance Statement contained in this Financial Report.

OFFICERS' INDEMNITY AND INSURANCE

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

SHARE OPTIONS

As at the date of this report there were the following unissued ordinary shares for which options were outstanding:

- 8,500,000 options expiring 31 December 2007, exercisable at 3 cents each
- 5,400,000 options expiring 31 January 2010, exercisable at 7 cents each
- 3,000,000 options expiring 31 January 2010, exercisable at 9 cents each
- 14,103,380 options expiring 30 November 2010, exercisable at 20 cents each
- 5,100,000 options expiring 31 December 2010, exercisable at 20 cents each

No options were granted during the year.

No person entitled to exercise these options had or has any right, by virtue of the option, to participate in any share issue of the company or of any related body corporate.

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

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

MGM WIRELESS LIMITED

DIRECTORS' REPORT

AUDITOR

RSM Bird Cameron continues in office in accordance with Section 327 of the Corporations Act 2001.

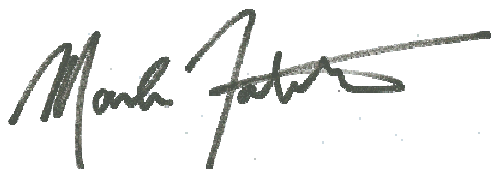
NON-AUDIT SERVICES

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 2007 has been received and is included as part of the financial statements.

Signed in accordance with a resolution of directors

A handwritten signature in black ink, appearing to read 'Mark Fortunatow', with a long horizontal stroke extending to the right.

Mark Fortunatow
Executive Chairman
Signed at Adelaide on 28 September 2007

MGM WIRELESS LIMITED

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of MGM Wireless Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of MGM Wireless Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

MGM Wireless Limited's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

- Principle 1.** Lay solid foundations for management and oversight
- Principle 2.** Structure the board to add value
- Principle 3.** Promote ethical and responsible decision making
- Principle 4.** Safeguard integrity in financial reporting
- Principle 5.** Make timely and balanced disclosure
- Principle 6.** Respect the rights of shareholders
- Principle 7.** Recognise and manage risk
- Principle 8.** Encourage enhanced performance
- Principle 9.** Remunerate fairly and responsibly
- Principle 10.** Recognise the legitimate interests of stakeholders

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The Board continues to review its current practices in light of the ASX Principles of Good Corporate Governance and Best Practice Guidelines 2004 with a view to making amendments where applicable after considering the Company's size and resources it has available. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration.

During the financial year the Company has complied with each of the 10 Essential Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
2	2.1	Majority of Board not independent	The size and scope of the Company's activities does not justify the cost of appointing two additional independent directors.
2	2.2 & 2.3	Chairman is not independent	The Board considers that, at this stage of the Company's development, the executive role carried out by the Chairman is in the best interests of the Company.
2	2.4	The Company does not have a Nomination Committee	The role of the Nomination Committee has been assumed by the full Board. The size and scope of the Company's activities does not justify the establishment of such a Committee.
4	4.2, 4.3 & 4.4	The Company does not have an Audit Committee	The role of the Audit Committee has been assumed by the full Board. The size and scope of the Company's activities does not justify the establishment of such a Committee.
6	6.1	Formalisation of a communications strategy with shareholders	In line with adherence to continuous disclosure requirements of ASX all shareholders are kept informed of major developments affecting the company. This disclosure is through regular shareholder communications including the Annual Report, Half-Year Report, Quarterly Reports and the distribution of specific releases covering major transactions or events. The Company's auditors attend all shareholders' meetings.

MGM WIRELESS LIMITED

CORPORATE GOVERNANCE STATEMENT

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
7	7.1	The Board or appropriate board committee should establish policies of risk oversight and management	While the Company does not have formalised policies on risk management the Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at Board meetings.
9	9.2	The Company does not have a Remuneration Committee	The role of the Remuneration Committee has been assumed by the full Board. The size and scope of the Company's activities does not justify the establishment of such a Committee. No director participated in any deliberation regarding his own remuneration or related issues.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of MGM Wireless Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of MGM Wireless Limited are considered to be independent:

Name	Position
John Dawkins	Non-Executive Director
Richard Sciano	Non-Executive Director

There are procedures in place, agreed by the Board, to enable directors in the furtherance of their duties to seek independent professional advice at the company's expense.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office
Mark Fortunatow	Since 3 October 2003
Mark Hurd	Since 3 October 2003
John Dawkins	Since 17 August 2007
Richard Sciano	Since 2 January 2003

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other Boards.

Ethical Standards

All Directors and employees are expected to act with the utmost of integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

MGM WIRELESS LIMITED

CORPORATE GOVERNANCE STATEMENT

Conflict of Interest

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Directors Dealings in Company Securities

The Constitution permits Directors to acquire securities in the Company. Company policy prohibits Directors from dealing in Company securities whilst in possession of price sensitive information. Directors must notify the Company Secretary once they have bought or sold shares in the Company or exercised options over ordinary shares. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange, the Company on behalf of the Directors must advise the Australian Stock Exchange of any transactions conducted by them in shares and/or options in the Company.

Nomination Committee

The full Board carries out the functions of the Nomination Committee. The Board did not meet formally as the Nomination Committee during the financial year, however any relevant matters were discussed on as-required basis from time to time during regular meetings of the Board.

Audit Committee

The Company does not have an Audit Committee. The role of the Audit Committee has been assumed by the full Board. The Board as the Audit Committee meets at least bi-annually (in respect of the full year and half year reports).

Performance Evaluation of the Board and its Members

During the financial year an evaluation of the Board and its members was not formally carried out. To date, there has been no formal process in place for performance evaluation. During the reporting period an evaluation of the Board was informally carried out by the Chairman.

Company's Remuneration Policies

Remuneration levels for executives are competitively set to attract the most qualified and experienced candidates, taking into account prevailing market conditions and individual's experience and qualifications. Each of the non-executive directors receives a fixed fee for their services as directors. There is no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievement of certain key performance indicators.

For a full discussion on the company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the remuneration report, which is contained within the Directors Report.

Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors

There are no retirement benefits for non-executive directors.

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
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AUDITOR'S INDEPENDENCE DECLARATION TO THE BOARD OF DIRECTORS OF MGM WIRELESS LIMITED

As lead audit partner for the audit of the financial report of MGM Wireless Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

D J Wall

D J WALL
Partner

Perth, WA

Dated: **28 SEPTEMBER 2007**

RSM Bird Cameron Partners

Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MGM WIRELESS LIMITED

We have audited the accompanying financial report of MGM Wireless Limited ("the company"), which comprises the balance sheet as at 30 June 2007 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in page 7 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion on the Financial Report

In our opinion:

- (a) the financial report of MGM Wireless Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's Opinion on the AASB 124 remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in page 7 of the directors' report comply with Accounting Standard AASB 124.

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

D J Wall

D J WALL
Partner

Perth, WA

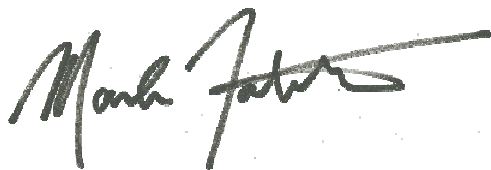
Dated: **28 SEPTEMBER 2007**

MGM WIRELESS LIMITED

STATEMENT BY DIRECTORS

1. In the opinion of the directors:
 - a) The financial statements and notes are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year then ended; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2007.

This declaration is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'M Fortunatow', with a long horizontal stroke extending to the right.

M Fortunatow
Director

Signed at Adelaide on 28 September 2007

MGM WIRELESS LIMITED

INCOME STATEMENT

For the year ended 30 June 2007

		Consolidated		Parent Entity	
	Note	2007	2006	2007	2006
		\$	\$	\$	\$
Revenue	2	2,198,029	1,991,803	2,196,379	1,903,317
Cost of sales		(737,550)	(293,005)	(737,550)	(247,195)
Bad and doubtful debts		(22,960)	(31,974)	(22,960)	(31,974)
Borrowing costs		(17,253)	(89)	(17,253)	(89)
Depreciation and amortisation expense		(184,255)	(179,049)	(23,055)	(17,849)
Advertising and marketing		(121,199)	(324,590)	(121,199)	(289,144)
Consulting expenses		(151,153)	(338,731)	(148,394)	(338,731)
Corporate and administration expenses		(484,259)	(376,407)	(480,039)	(370,913)
Share based payment expense		-	(52,836)	-	(52,836)
Employee benefit expenses		(1,257,278)	(1,026,115)	(1,257,278)	(1,025,157)
Net foreign currency loss		(6,054)	-	-	-
Impairment of receivables		-	-	(159)	(25,323)
Impairment of financial assets		-	-	(172,424)	(443,384)
Loss before income tax expense		(783,932)	(630,993)	(783,932)	(939,278)
Income tax expense	3	-	-	-	-
Loss after tax from continuing operations		(783,932)	(630,993)	(783,932)	(939,278)
Net loss attributable to minority interest		-	(155)	-	-
Net loss attributable to members of MGM Wireless Limited		(783,932)	(631,148)	(783,932)	(939,278)
Basic loss per share (cents per share)	4	(0.46)	(0.41)		
Diluted loss per share (cents per share)	4	(0.46)	(0.41)		

The accompanying notes form part of these financial statements

MGM WIRELESS LIMITED

BALANCE SHEET

As at 30 June 2007

		Consolidated		Parent Entity	
	Note	2007	2006	2007	2006
		\$	\$	\$	\$
ASSETS					
Current Assets					
Cash and cash equivalents	5	806,812	562,834	754,007	561,755
Trade and other receivables	6	475,076	329,054	440,833	329,054
Other current assets	7	1,342	5,155	1,342	5,155
Total Current Assets		1,283,230	897,043	1,196,182	895,964
Non Current Assets					
Other financial assets	8	-	-	216,253	323,700
Trade and other receivables	6	-	-	65,294	40,079
Plant and equipment	9	158,557	158,723	148,557	140,723
Intangible assets	10	615,383	344,700	423,883	-
Total Non Current Assets		773,940	503,423	853,987	504,502
Total Assets		2,057,170	1,400,466	2,050,169	1,400,466
LIABILITIES					
Current Liabilities					
Trade and other payables	11	351,906	281,138	344,905	281,138
Provisions	12	39,758	22,818	39,758	22,818
Total Liabilities		391,664	303,956	384,663	303,956
Net Assets		1,665,506	1,096,510	1,665,506	1,096,510
EQUITY					
Parent entity interest					
Issued capital	13	6,016,512	4,663,584	6,016,512	4,663,584
Reserves	14	75,796	75,796	75,796	75,796
Accumulated losses		(4,426,802)	(3,637,805)	(4,426,802)	(3,642,870)
Total parent entity interest in equity		1,665,506	1,101,575	1,665,506	1,096,510
Minority interest					
Issued capital		20	20	-	-
Accumulated losses		(20)	(5,085)	-	-
		-	(5,065)	-	-
Total Equity		1,665,506	1,096,510	1,665,506	1,096,510

The accompanying notes form part of these financial statements

MGM WIRELESS LIMITED
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2007

Consolidated	Issued Capital	Accumulated Losses	Option Issue Reserve	Outside Equity Interest	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2005	4,291,584	(3,006,657)	22,960	(5,220)	1,302,667
Loss attributable to members of parent entity	-	(631,148)	-	-	(631,148)
Profit attributable to minority interest	-	-	-	155	155
Shares issued	372,000	-	-	-	372,000
Cost of share based payment	-	-	52,836	-	52,836
At 30 June 2006	4,663,584	(3,637,805)	75,796	(5,065)	1,096,510
At 1 July 2006	4,663,584	(3,637,805)	75,796	(5,065)	1,096,510
Loss attributable to members of parent entity	-	(783,932)	-	-	(783,932)
Transfer of accumulated losses of minority interest in accordance with AASB 127	-	(5,065)	-	5,065	-
Shares issued	1,430,000	-	-	-	1,430,000
Share issue costs	(77,072)	-	-	-	(77,072)
At 30 June 2007	6,016,512	(4,426,802)	75,796	-	1,665,506

Parent	Issued Capital	Accumulated Losses	Option Issue Reserve	Outside Equity Interest	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2005	4,291,584	(2,703,592)	22,960	-	1,610,952
Loss attributable to members of parent entity	-	(939,278)	-	-	(939,278)
Shares issued	372,000	-	-	-	372,000
Cost of share based payment	-	-	52,836	-	52,836
At 30 June 2006	4,663,584	(3,642,870)	75,796	-	1,096,510
At 1 July 2006	4,663,584	(3,642,870)	75,796	-	1,096,510
Loss attributable to members of parent entity	-	(783,932)	-	-	(783,932)
Shares issued	1,430,000	-	-	-	1,430,000
Share issue costs	(77,072)	-	-	-	(77,072)
At 30 June 2007	6,016,512	(4,426,802)	75,796	-	1,665,506

The accompanying notes form part of these financial statements

MGM WIRELESS LIMITED
STATEMENT OF CASH FLOWS
For the year ended 30 June 2007

		Consolidated		Parent Entity	
	Note	2007	2006	2007	2006
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		2,015,829	1,879,817	2,015,829	1,703,044
Payments to suppliers and employees		(2,660,108)	(2,284,985)	(2,652,911)	(2,134,135)
Interest received		13,408	23,524	13,408	23,499
Interest and other costs of finance		(17,253)	(89)	(17,253)	(89)
Net cash used in operating activities	5	(648,124)	(381,733)	(640,927)	(407,681)
Cash flows from investing activities					
Payment for investments		-	-	(64,977)	-
Payments for plant and equipment		(30,889)	(76,820)	(30,889)	(76,820)
Loan to controlled entity		-	-	-	-
Loan repaid by controlled entity		-	-	-	55,619
Payment for research and development		(288,883)	-	(288,883)	-
Net cash used in investing activities		(319,772)	(76,820)	(384,749)	(21,201)
Cash flows from financing activities					
Proceeds from issue of shares		1,295,000	372,000	1,295,000	372,000
Expenses of share issues		(77,072)	-	(77,072)	-
Net cash provided by financing activities		1,217,928	372,000	1,217,928	372,000
Net increase/ (decrease) in cash held		250,032	(86,553)	192,252	(56,882)
Cash held at the beginning of the financial year		562,834	649,387	561,755	618,637
Effect of exchange rate changes		(6,054)	-	-	-
Cash held at the end of the financial year	5	806,812	562,834	754,007	561,755

The accompanying notes form part of these financial statements

MGM WIRELESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations). The financial report has also been prepared in accordance with the historical costs convention. The following is a summary of the significant accounting policies adopted by the consolidated entity in the preparation of the financial report.

(b) Adoption of new and revised standards

In the year ended 30 June 2007, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

(c) Statement of Compliance

The financial report was authorised for issue on 28 September 2007.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of MGM Wireless Limited ("Company" or "Parent Entity") and its subsidiaries as at 30 June each year (the Group).

The financial statements of the subsidiaries are prepared for the same period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany 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.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Control of the goods (at the signing of the legally enforceable contract) has passed to the buyer.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained. Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(f) Cash and cash equivalents

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.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

MGM WIRELESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(h) 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 income statement, 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 income statement.

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 balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(i) Income 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.

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

MGM WIRELESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(i) Income Tax (Cont.)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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.

(j) Other taxes

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 balance sheet.

Cash flows are included in the cash flow statement 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.

(k) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line 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.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. 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.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement.

MGM WIRELESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(k) Plant and equipment (Cont.)

(ii) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(l) Intangibles

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 profits 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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. 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.

Research and development costs

Research costs are expensed as 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.

Change in Accounting Policy

In prior years, development costs have been expensed. The financial effect of recognising development costs as an asset is a reduction of the net loss of \$288,883 for this reporting period.

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.

(m) Impairment of 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.

MGM WIRELESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(m) Impairment of assets (cont.)

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 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 depreciation, 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 revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation 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.

(n) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(o) 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 assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement 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.

(p) Employee leave benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(q) Share-based payment transactions

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 by an external valuer using a black-scholes 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 MGM Wireless Limited (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).

MGM WIRELESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(q) Share-based payment transactions (Cont.)

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 performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit 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.

(r) Contributed equity

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.

(s) 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.

(t) Significant Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge 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.

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. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

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.

MGM WIRELESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
2. REVENUE AND EXPENSES				
Revenue from ordinary activities				
Sales revenue	2,184,621	1,968,279	2,182,971	1,879,818
Interest	13,408	23,524	13,408	23,499
Total revenue from ordinary activities	2,198,029	1,991,803	2,196,379	1,903,317
Expenses and Losses/(Gains)				
Depreciation of plant and equipment	31,055	25,849	23,055	17,849
Amortisation of intangibles	153,200	153,200	-	-
Bad and doubtful debts	22,960	31,974	22,960	31,974
Share based payment expense	-	52,836	-	52,836
Auditor's remuneration:				
RSM Bird Cameron Partners				
- Audit and review of financial reports	20,182	13,000	20,182	13,000
3. INCOME TAX				
(a) Income tax expense				
The income tax expense for the year differs from the prima facie tax as follows:				
Loss for year	(783,932)	(630,993)	(783,932)	(939,278)
Prima facie tax benefit at 30% (2006 : 30%)	235,180	189,298	235,180	281,783
Non-deductible items	(47,904)	(62,448)	(51,900)	(157,100)
Research and development expenditure	(92,682)	-	(92,682)	-
Deferred tax assets not brought to account	(94,594)	(126,850)	(90,598)	(124,683)
Total income tax expense	-	-	-	-
(b) Deferred Tax Asset				
Deferred tax assets not brought to account arising from tax losses, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 (i) occur:	922,684	828,090	904,461	813,863

MGM WIRELESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

4. EARNINGS PER SHARE (EPS)

	Cents	Cents
Basic earnings per share – Continuing operations	<u>(0.46)</u>	<u>(0.41)</u>
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:		
Reconciliation of earnings to net loss		
Net loss for year	(783,932)	(630,993)
Adjustment:		
Net loss attributable to outside equity interest	-	(155)
Earnings used in calculation of basic EPS	<u>(783,932)</u>	<u>(631,148)</u>
	No of Shares	No of Shares
Weighted average number of ordinary shares used in the calculation of basic EPS	<u>168,296,113</u>	<u>155,347,169</u>

There are no potential ordinary shares on issue that are considered to be dilutive, therefore basic earnings per share also represents diluted earnings per share.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$

5. CASH AND CASH EQUIVALENTS

Cash at bank	<u>806,812</u>	<u>562,834</u>	<u>754,007</u>	<u>561,755</u>
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Cash at bank earns interest at floating rates based on daily bank deposit rates.

(i) Reconciliation of loss for year to net cash used in operating activities:

Loss for the year	(783,932)	(630,993)	(783,932)	(939,278)
Non-cash items				
Amortisation	153,200	153,200	-	-
Depreciation	31,055	25,849	23,055	17,849
Bad and doubtful debts	22,960	31,973	22,960	31,973
Provision for impairment – financial assets	-	-	172,424	443,384
Provision for impairment - receivable	-	-	159	25,323
Foreign exchange loss	6,054	-	-	-
Equity settled share based payment	-	52,836	-	52,836
Changes in assets and liabilities:				
Receivables	(168,982)	(88,462)	(160,033)	(176,774)
Tax asset	36,214	2,698	36,214	2,698
Other assets	3,813	-	3,813	-
Payables	34,554	55,114	27,473	118,256
Provisions	16,940	16,052	16,940	16,052
Cash flows used by operating activities	<u>(648,124)</u>	<u>(381,733)</u>	<u>(640,927)</u>	<u>(407,681)</u>

(ii) Non-cash investing and financing activities:

During the year the parent entity issued 924,658 ordinary fully paid shares at an issue price of 14.6 cents per share as the \$135,000 consideration for acquisition of the Queensland distribution rights of Messageyou.

There were no other non-cash financing and investing activities during the financial year.

MGM WIRELESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

	Consolidated		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
6. TRADE AND OTHER RECEIVABLES				
Current				
Trade debtors	498,036	329,054	463,793	329,054
Less: Provision for doubtful debts	(22,960)	-	(22,960)	-
	475,076	329,054	440,833	329,054
Non-Current				
Amount owed by controlled entities	-	-	90,776	65,402
Provision for impairment	-	-	(25,482)	(25,323)
	-	-	65,294	40,079

Terms and conditions relating to the above financial instruments:

- (i) Trade debtors are non-interest bearing and generally on 30 day terms.
- (ii) Amount receivable from controlled entities are non-interest bearing and repayable on request from the parent entity.

7. OTHER CURRENT ASSETS				
Sundry debtors	1,342	5,155	1,342	5,155
8. OTHER FINANCIAL ASSETS				
Shares in unlisted controlled entities	-	-	832,061	767,084
Provision for impairment	-	-	(615,808)	(443,384)
	-	-	216,253	323,700

Controlled entities:

Name of entity	Date of Acquisition	Country of Incorporation	Class of Shares	Equity Holding	Cost of Parent Entity's Investment
MGM Wireless (NSW) Pty Ltd	7 July 2000	Australia	Ordinary	80%	80
Ezyauto Pty Ltd	7 July 2000	Australia	Ordinary	100%	1
Ezyrealty Pty Ltd	7 July 2000	Australia	Ordinary	100%	1
Ezytours Pty Ltd	7 August 2000	Australia	Ordinary	100%	1
Land Fund Pty Ltd	31 January 2002	Australia	Ordinary	100%	1
MGM Wireless Holdings Pty Ltd	8 October 2003	Australia	Ordinary	100%	767,000
Messageyou LLC	11 September 2006	USA	Ordinary	100%	64,977
					832,061

MGM WIRELESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
9. PLANT AND EQUIPMENT				
Plant and equipment				
At cost	214,881	183,992	174,881	143,992
Accumulated depreciation and impairment	(125,255)	(101,858)	(95,255)	(79,858)
Total plant and equipment	89,626	82,134	79,626	64,134
Leasehold improvements				
At cost	82,410	82,410	82,410	82,410
Accumulated amortisation and impairment	(13,479)	(5,821)	(13,479)	(5,821)
Total leasehold improvements	68,931	76,589	68,931	76,589
Total property, plant and equipment				
At cost	297,291	266,402	257,291	226,402
Accumulated depreciation and impairment	(138,734)	(107,679)	(108,734)	(85,679)
Total written down value	158,557	158,723	148,557	140,723
Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year:				
<i>Plant and equipment</i>				
At 1 July 2006, net of accumulated depreciation	82,134	77,096	64,134	51,096
Additions	30,889	26,760	30,889	26,760
Depreciation	(23,397)	(21,722)	(15,397)	(13,722)
At 30 June 2007, net of accumulated depreciation	89,626	82,134	79,626	64,134
<i>Leasehold improvements</i>				
At 1 July 2006, net of accumulated depreciation	76,589	30,656	76,589	30,656
Additions	-	50,060	-	50,060
Depreciation	(7,658)	(4,127)	(7,658)	(4,127)
At 30 June 2007, net of accumulated depreciation	68,931	76,589	68,931	76,589
10. INTANGIBLE ASSETS				
Intellectual Property - MSGU™				
Cost	766,000	766,000	-	-
Accumulated amortisation and impairment	(574,500)	(421,300)	-	-
	191,500	344,700	-	-
Distribution rights - Queensland				
Cost	135,000	-	135,000	-
Accumulated amortisation and impairment	-	-	-	-
	135,000	-	135,000	-
Website development expenditure				
Cost	288,883	-	288,883	-
Accumulated amortisation and impairment	-	-	-	-
	288,883	-	288,883	-
	615,383	344,700	423,883	-

MGM WIRELESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
10. INTANGIBLE ASSETS (cont.)				
Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year:				
Intellectual Property - MSGU™				
At 1 July 2006, net of accumulated amortisation	344,700	497,900	-	-
Additions	-	-	-	-
Amortisation expense	(153,200)	(153,200)	-	-
At 30 June 2007, net of accumulated amortisation	191,500	344,700	-	-
<i>Distribution rights - Queensland</i>				
At 1 July 2006, net of accumulated amortisation	-	-	-	-
Additions	135,000	-	135,000	-
Amortisation expense	-	-	-	-
At 30 June 2007, net of accumulated amortisation	135,000	-	135,000	-
<i>Website development expenditure</i>				
At 1 July 2006, net of accumulated amortisation	-	-	-	-
Additions	288,883	-	288,883	-
Amortisation expense	-	-	-	-
At 30 June 2007, net of accumulated amortisation	288,883	-	288,883	-

Useful life of intangible assets are 5 years.

No amortisation has been charged to "Distribution Rights – Queensland" and "Website Development Expenditure" as the amount is immaterial for this year.

11. TRADE AND OTHER PAYABLES

Trade creditors and accruals				
Other corporations	243,710	209,157	236,709	209,157
Directors and director related entities	6,600	6,600	6,600	6,600
Tax liability	101,596	65,381	101,596	65,381
	351,906	281,138	344,905	281,138

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

MGM WIRELESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
12. PROVISIONS				
Current				
Employee benefits	39,758	22,818	39,758	22,818
Movement:				
Opening balance	22,818	6,766	22,818	6,766
Amounts provided	63,003	53,122	63,003	53,122
Amounts used	(46,063)	(37,070)	(46,063)	(37,070)
Closing balance	39,758	22,818	39,758	22,818
Number of employees	14	11	14	11

13. ISSUED CAPITAL

(a) Issued and paid up capital

Ordinary shares, fully paid	6,016,512	4,663,584	6,016,512	4,663,584
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(b) Movement in shares on issue

	Number	2007	Number	2006
		\$		\$
Balance at beginning of year	164,621,690	4,663,584	155,321,690	4,291,584
Issue for cash at 4 cents (i)	-	-	9,300,000	372,000
Issue for cash at 5.5 cents (ii)	8,000,000	440,000	-	-
Issue for cash on exercise of options (iii)	500,000	15,000	-	-
Issue as consideration for distribution rights (iv)	924,658	135,000	-	-
Issue for cash at 13 cents (v)	6,000,000	780,000	-	-
Issue for cash on exercise of options (vi)	2,000,000	60,000	-	-
Expenses of issue	-	(77,072)	-	-
Balance at end of year	182,046,348	6,016,512	164,621,690	4,663,584

- (i) On 30 June 2006, 9,300,000 ordinary shares were issued at an issue price of 4 cents per share, thereby raising \$372,000.
(ii) On 2 February 2007, 8,000,000 ordinary shares were issued at a price of 5.5 cents per share, thereby raising \$440,000.
(iii) On 28 May 2007, 500,000 unlisted options expiring 31 December 2007 were exercised at 3 cents each.
(iv) On 30 May 2007, 924,658 ordinary shares were issued at a price of 14.6 cents each as consideration for the distribution rights of Messageyou in Queensland.
(v) On 14 June 2007, 6,000,000 ordinary shares were issued at a price of 13 cents per share, thereby raising \$780,000.
(vi) On 22 June 2007, 2,000,000 unlisted options expiring 30 June 2007 were exercised at 3 cents each.

(c) Share Options

As at 30 June 2007, there were the following unissued ordinary shares for which options were outstanding:

- 8,500,000 options expiring 31 December 2007, exercisable at 3 cents each
- 5,400,000 options expiring 31 January 2010, exercisable at 7 cents each
- 3,000,000 options expiring 31 January 2010, exercisable at 9 cents each
- 14,103,380 options expiring 30 November 2010, exercisable at 20 cents each
- 5,100,000 options expiring 31 December 2010, exercisable at 20 cents each

No options were granted during the year.

MGM WIRELESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

13. ISSUED CAPITAL (cont.)

(d) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of the 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 company.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Option issue reserve	75,796	75,796	75,796	75,796

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.

15. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

Directors

Mark Fortunatow	Executive Chairman
Mark Hurd	Executive Director - Technical
Richard Sciano	Director (Non-executive)
John Dawkins	Director (Non-executive) – Appointed 17 August 2007

(b) Compensation of Key Management Personnel

(i) Compensation Policy

The remuneration policy of MGM Wireless Limited as it applies to key management personnel is disclosed in the Remuneration Report contained in the Directors' Report.

(ii) Compensation of Key Management Personnel

The remuneration of key management personnel is disclosed in the Remuneration Report contained in the Directors' Report.

MGM WIRELESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

15. DIRECTOR AND EXECUTIVE DISCLOSURES (Cont.)

(b) Compensation of Key Management Personnel (cont.)

(iii) Compensation by category: Key Management Personnel

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-Term	396,993	378,294	396,993	378,294
Post Employment	21,825	27,849	21,825	27,849
Other Long-Term	-	-	-	-
Termination Benefits	-	-	-	-
Share-based Payment	-	37,107	-	37,107
	418,818	443,250	418,818	443,250

(c) Option holdings of Key Management Personnel

	Balance 01/07/06	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30/06/07
Directors					
M Fortunatow					
- Expiring 31 December 2007; 3 cents	2,500,000	-	-	-	2,500,000
- Expiring 31 January 2010; 7 cents	1,500,000	-	-	-	1,500,000
- Expiring 31 January 2010; 9 cents	1,500,000	-	-	-	1,500,000
M Hurd					
- Expiring 31 December 2007; 3 cents	2,500,000	-	-	-	2,500,000
- Expiring 31 January 2010; 7 cents	1,500,000	-	-	-	1,500,000
- Expiring 31 January 2010; 9 cents	1,500,000	-	-	-	1,500,000
R Sciano					
- Expiring 31 December 2007; 3 cents	1,000,000	-	-	-	1,000,000
- Expiring 31 January 2010; 7 cents	300,000	-	-	-	300,000

All options have vested and are exercisable.

(d) Shareholdings of Key Management Personnel

	Balance 01/07/06	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/06/07
M Fortunatow	41,743,046	-	-	-	41,743,046
M Hurd	12,542,000	-	-	-	12,542,000
R Sciano	-	-	-	-	-

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(e) Loans with Key Management Personnel

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

MGM WIRELESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

16. SHARE BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2007:

- During the year ended 30 June 2005, 6,000,000 share options were issued to directors and 3,000,000 to employees and consultants to take up ordinary shares at an exercise price of 3 cents. The options expire on 31 December 2007. All options have vested and are exercisable. 500,000 options have been exercised at balance date.
- During the year ended 30 June 2006, 3,300,000 share options were issued to directors to take up ordinary shares at an exercise price of 7 cents. The options expire on 31 January 2010. All options have vested and are exercisable. No options have been exercised at balance date.
- During the year ended 30 June 2006, 3,000,000 share options were issued to executive directors to take up ordinary shares at an exercise price of 9 cents. The options expire on 31 January 2010. All options have vested and are exercisable. No options have been exercised at balance date.
- During the year ended 30 June 2006, 2,100,000 share options were issued to employees and consultants to take up ordinary shares at an exercise price of 7 cents. The options expire on 31 January 2010. All options have vested and are exercisable. No options have been exercised at balance date.

The Black and Scholes valuation was used to value the options issued as share-based payments. The following factors and assumptions were used in determining the fair value of options on grant date:

Expiry Date	Fair Value per Option	Exercise Price	Estimated Volatility	Risk Free Interest Rate
31 December 2007	\$0.0029	\$0.03	25%	5.21%
31 January 2010	\$0.0075	\$0.07	25%	5.19%
31 January 2010	\$0.0041	\$0.09	25%	5.19%

A discount factor of 30% has been applied to the determined fair value due to the lack of marketability, as the options are unlisted and are non-transferable.

The weighted average exercise price of share based payment options that were outstanding was \$0.0534.

Included as an expense in the income statement is \$Nil (2006: \$52,836) and relates, to share based payments made during the year.

17. SEGMENT REPORTING

The company operates predominantly in one business segment, being provision of business messaging solutions and internet related services utilising Web server technology and one geographic region, namely Australia.

18. CONTINGENT LIABILITIES

There were no contingent liabilities at balance date.

19. COMMITMENTS

There were no commitments at balance date.

20. FINANCIAL INSTRUMENTS

(i) Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from subsidiaries.

The Group does not speculate in the trading of derivative instruments. The main risks the Group is exposed to through its financial instruments are interest rate risk and liquidity risk.

Interest rate and liquidity risk

The Group manages interest rate and liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

MGM WIRELESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis. The Group does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

(ii) Interest rate risk

	Weighted Average Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
			\$	\$	\$	\$	\$	\$
Financial Assets								
Cash	6.19%	5.28%	806,812	562,834	-	-	806,812	562,834
Receivables	-	-	-	-	475,076	329,054	475,076	329,054
Total financial assets			806,812	562,834	475,076	329,054	1,281,888	891,888
Financial Liabilities								
Payables	-	-	-	-	351,906	281,138	351,906	281,138
Total financial liabilities			-	-	351,906	281,138	351,906	281,138

(iii) Net fair value

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

The net fair value of financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

21. EVENTS SUBSEQUENT TO END OF THE FINANCIAL YEAR

Since the end of the financial year and to the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to significantly affect the operations of the Group, in subsequent financial years.

MGM WIRELESS LIMITED

SHAREHOLDER INFORMATION

Information relating to shareholders and optionholders at 19 September 2007

	Ordinary shares	Listed Options 30 Nov 2010
1. Number of Holders	688	124
2. Distribution of shareholders/optionholders		
1 - 1,000	4	-
1,001 - 5,000	64	-
5,001 - 10,000	87	3
10,001 - 100,000	334	111
100,001 and over	199	10
Total number of holders	688	124
Total on issue	182,046,348	14,103,380
Number of holders of less than a marketable parcel	35	
3. Percentage of total holdings of 20 largest holders	53.33%	82.60%
4. Substantial Shareholders	Number	%
Mark Fortunatow	41,743,046	22.93%
Mark Edwin Hurd <Mark Hurd Investment A/C>	12,542,500	6.89%
5. Twenty largest shareholders	Number	%
Paula Fortunatow <Fortunatow Family A/C>	24,721,000	13.58%
Mark Edwin Hurd <Mark Hurd Investment A/C>	9,882,500	5.43%
Mark Fortunatow <The AM & JM Trust>	9,870,124	5.42%
Michael Christopher Samra <Michael C Samra Family A/C>	8,823,530	4.85%
Davies Nominees Pty Ltd <Super Duper Super Fund A/C>	6,132,000	3.37%
Yavern Creek Holdings Pty Ltd	5,255,000	2.89%
Mark Fortunatow <The I-Bank Trust>	3,851,922	2.12%
Paula Fortunatow <Fortunatow Family A/C>	3,300,000	1.81%
Francis George & Danielle Georgette Heppingstone	3,290,909	1.81%
Mark Hurd <Mark Hurd Investment A/C>	2,660,000	1.46%
Ronatac Pty Ltd <Master Carpets S/F A/C>	2,513,636	1.38%
Cheval Holdings Pty Ltd	2,400,000	1.32%
David John McDougall	2,000,000	1.10%
Nurragi Investments Pty Ltd	2,000,000	1.10%
Carmel Elizabeth Whiting	2,000,000	1.10%
Geoffrey Peter Ballard <Ballsup Fund A/C>	1,950,000	1.07%
Graham Flavel Ball <TP A/C>	1,821,000	1.00%
Oswin Pty Ltd	1,600,000	0.88%
Samuel Christopher McCarthy & Brooke Elizabeth Hambour	1,500,000	0.82%
Cosimo Spagnoletti	1,500,000	0.82%
	97,071,621	53.33%

MGM WIRELESS LIMITED

SHAREHOLDER INFORMATION

6. Twenty largest listed optionholders (30 November 2010; 20 cents)	Number	%
Julie Vassallo	3,230,000	22.90%
Craig Peter Ball <1998 Pope A/C>	3,010,000	21.34%
Kalgoorlie Mine Management Pty Ltd	2,000,000	14.18%
Lois Alda Corns	990,000	7.02%
David John McDougall	500,000	3.55%
Douglas Gary Spencer & Angelique Rumbold <DG Spencer Super Fund>	300,000	2.13%
David John Jones	200,000	1.42%
Alan John Taylor	200,000	1.42%
Anketell Pty Ltd	150,000	1.06%
Richard Anthony Yelash	115,000	0.82%
Belmark Investments Pty Ltd	100,000	0.71%
Gregory Noel Kenny	100,000	0.71%
L J Thomson Pty Ltd	100,000	0.71%
Ted Marchese	100,000	0.71%
Barbara Anne Tolhurst	100,000	0.71%
USB Pty Ltd (Sub S/F A/C>	100,000	0.71%
Robert Colin Wilson	100,000	0.71%
Ronatac Pty Ltd <Master Carpets S/F A/C>	90,000	0.64%
Ronald Robert Porter	88,000	0.62%
Moy Corporation Pty Ltd	75,000	0.53%
	11,648,000	82.60%

7. Unlisted Options

(a) Options expiring 31 December 2007, exercisable at 3 cents each	
- Number of optionholders	6
- Total options issued	8,050,000
- Holders with more than 20% of this class	
Paula Fortunatow ATF Fortunatow Family Trust	2,500,000
Mark Edwin Hurd ATF Mark Hurd Investment Trust	2,500,000
(b) Options expiring 31 January 2010, exercisable at 7 cents each	
- Number of optionholders	7
- Total options issued	5,400,000
- Holders with more than 20% of this class	
Paula Fortunatow ATF Fortunatow Family Trust	1,500,000
Mark Edwin Hurd ATF Mark Hurd Investment Trust	1,500,000
(c) Options expiring 31 January 2010, exercisable at 9 cents each	
- Number of optionholders	2
- Total options issued	3,000,000
- Holders with more than 20% of this class	
Paula Fortunatow ATF Fortunatow Family Trust	1,500,000
Mark Edwin Hurd ATF Mark Hurd Investment Trust	1,500,000
(d) Options expiring 31 December 2010, exercisable at 20 cents each	
- Number of optionholders	6
- Total options issued	5,100,000
- Holders with more than 20% of this class	
M L Stevens	2,000,000
G P O'Hara	1,200,000

8. Voting Rights

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.



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