

Spacetalk Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Spacetalk Limited
ABN:	93091351530
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

	31/12/2023 \$	31/12/2022 \$	Change \$	Change %
Revenue from ordinary activities	9,358,092	9,290,300	67,792	1%
Revenue from continuing operations	9,181,617	7,063,028	2,118,589	30%
Loss from ordinary activities after tax attributable to the owners of Spacetalk Limited	(4,027,790)	(9,236,591)	5,208,801	(56%)
Loss for the half-year attributable to the owners of Spacetalk Limited	(4,027,790)	(9,236,591)	5,208,801	(56%)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

Please refer to the Interim Report, Operating and Financial Review on pages 3 to 8.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.88)	0.27

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):


The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report - For the half year ended.

11. Attachments

Details of attachments (if any):

The Interim Report - For the half year ended of Spacetalk Limited for the half-year ended 31 December 2023 is attached.

12. Signed

Signed  _____

Georg Chmiel
Chair

Date: 29 February 2024

Spacetalk Limited

ABN 93091351530

Interim Report - For the half year ended - 31 December 2023

Spacetalk Limited
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31 December 2023

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Spacetalk Limited
Corporate directory
31 December 2023

Registered office	Level 2, 104 Frome Street Adelaide 5000
Principal Office	Level 2, 104 Frome Street Adelaide 5000 Telephone: +61 (08) 8104 9555 Facsimile: (08) 8431 2400
Share register	Computershare Investor Services Pty Ltd Level 5 115 Grenfell Street Adelaide SA 5000 Telephone: 1300 556 161 Overseas Callers: +61 3 9415 4000 Facsimile: 1300 534 987
Auditor	William Buck (SA)
Stock exchange listing	The securities of Spacetalk Ltd. are listed on the Australian Securities Exchange.
ASX Code	SPA
Website	www.spacetalk.co

Spacetalk Limited
Directors' report
31 December 2023

The directors present their report, together with the condensed financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Spacetalk Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

The following persons were directors of Spacetalk Limited during the financial half-year and up to the date of this report, unless otherwise stated:

- Georg Chmiel - Chair
- Michael Rann
- Simon Crowther
- Martin Pretty
- Brandon Gien (Resigned 16 November 2023)
- Saurabh Jain (Resigned 15 November 2023)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Development and sales of wearable watches
- Development and provision of digital communication solutions such as safety and security platforms for families and schools' communication platforms
- Provision of mobile virtual network operator (MVNO) solutions

Operating and Financial Review

The loss for the consolidated entity after providing for income tax amounted to \$4,027,790 (31 December 2022: \$9,236,591).

Results and key performance indicators of the current and prior year are set out below on a normalised basis, adjusting Statutory NPAT for material infrequent items including the impairment of assets, restructuring costs, including redundancy costs and other material one off adjustments. The half year results review is performed based on continuing operations following the wind down of overseas operations during the FY23 financial year. Results from discontinued operations are outlined in note 2 to the financial statements.

Group Performance

For the half year period ended 31 December 2023, the Group reported annual recurring revenue (ARR) of \$9.5m, up 28% compared with the prior corresponding period (pcp). The increase in ARR is consistent with the strategic shift towards a subscription-based business model. The increase in ARR was underpinned by the growth in Spacetalk Mobile active paying subscribers to just over 26,000 since launch in November 2002, driving Spacetalk Mobile revenue to \$1.9m in the interim period ended 31 December 2023. Spacetalk is well positioned to grow ARR to the \$20m - \$25m target over the 3 years to June 2026.

Key Performance Metrics

	1H24 \$m	1H23 ³ \$m	Change on previous period \$m	Change on previous Period %
Revenue from continuing operations ¹	9.2	7.0	2.2	31%
Gross profit from continuing operations	4.2	3.0	1.2	40%
Gross profit margin	46%	43%	-	3ppts
Operating expenses before one off costs	5.5	5.5	-	-
Normalised ² EBITDA from continuing operations	(1.3)	(2.5)	1.2	48%
Annual recurring revenue (ARR)	9.5	7.4	2.1	28%
Subscribers (#)	70,955	64,469	6,486	10%
Cash balance ⁴	2.9	3.0	(0.1)	(3%)

¹ Revenue excludes other income.

² The underlying/normalised result is a non-IFRS measure that is used by Management to assess the performance of the business. Non-IFRS measures have not been subject to audit or review.

³ 1HY23 results have been restated to reflect only continuing operations.

⁴ Prior year cash balance is 30 June 2023.

Revenue

The 31% uplift in revenue from continuing operations is primarily due to the increase in Spacetalk Mobile revenue to \$1.9m compared to \$0.2m in prior period. Device revenue increased by 26%, driven by a 20% increase in units sold.

The table below shows changes by revenue stream.

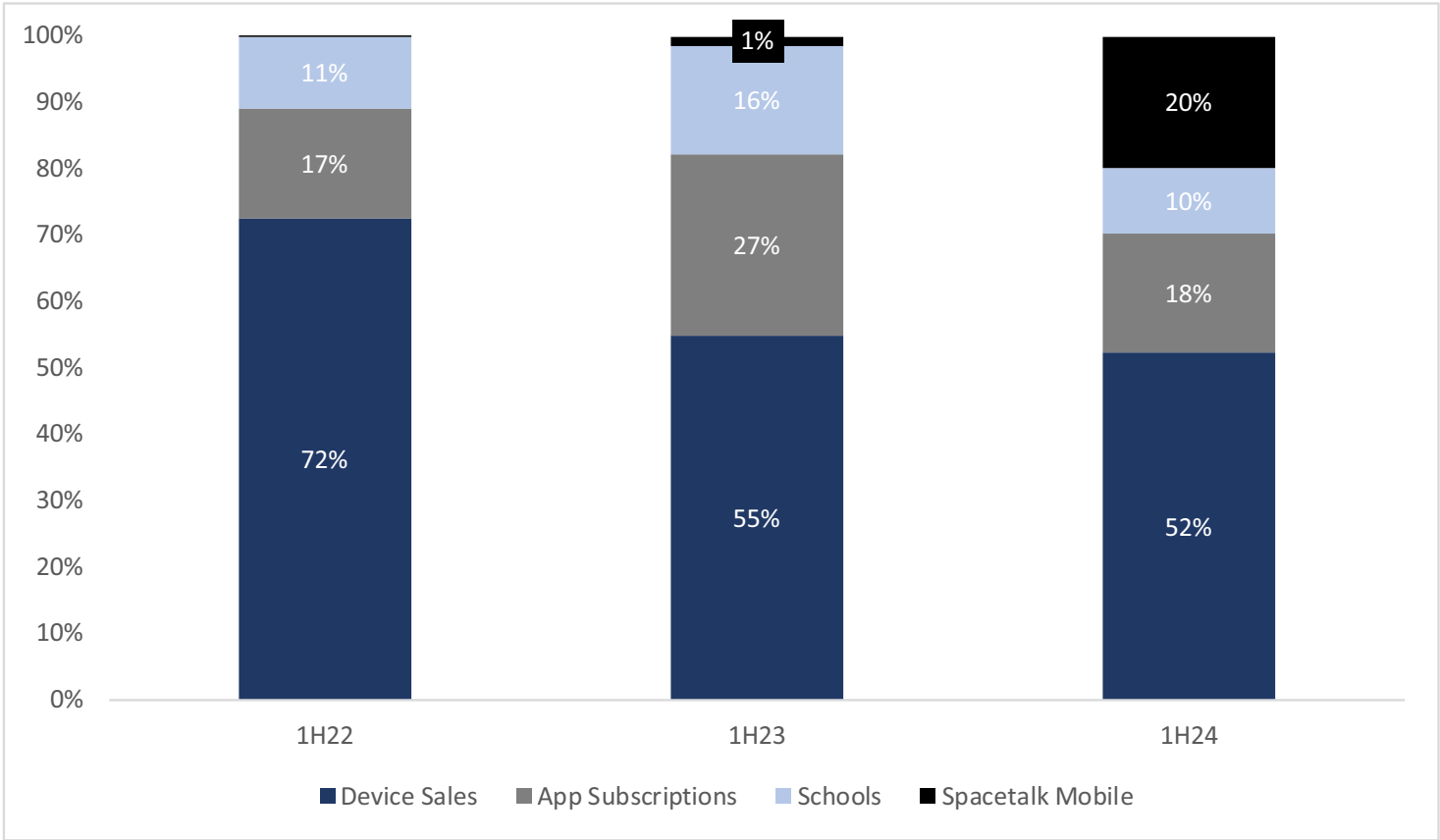
A\$m	1H24	1H23	Change	Change %
Spacetalk Mobile	1.9	0.2	1.7	850%
Device	4.8	3.8	1.0	26%
App	1.6	1.9	(0.3)	(16%)
Schools	0.9	1.1	(0.2)	(18%)
	9.2	7.0	2.2	31%

During 1H24, Spacetalk Mobile alone generated \$1.9m in revenue (1H23: 0.2m) while

- App revenue declined 16% compared as customers migrated to higher average revenue per user Spacetalk Mobile
- The 26% increase in Device revenue was the result of a 20% increase in sales volume, driven by the introduction of Adventurer 2 & Loop watches and an increased online presence through e-commerce channels
- Hardware's revenue performance was positive given the overall market category decline.
- Schools' revenue declined 18% to \$0.9m, reflecting the decline in SMS usage.

Revenue Mix

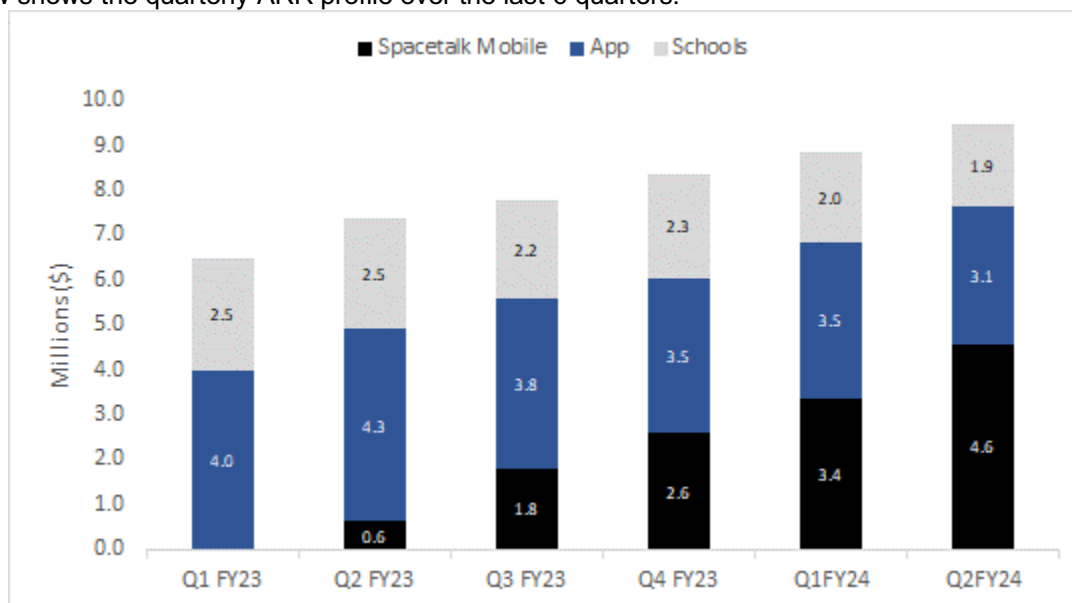
Revenue mix continues to improve over time, in line with overall strategy to shift the business to a subscription model.



- An improvement in mix towards recurring is key to long term sustainability due to higher margins, lower working needs and higher profitability. This underpins future cash generation and profitability.

Annual Recurring Revenue (ARR)

The graph below shows the quarterly ARR profile over the last 6 quarters.



- ARR growth of 28% vs prior comparative period has been underpinned by the launch of Spacetalk Mobile during FY23 as a key component of the Company's strategy to shift revenue to a higher yielding subscription model.
- Spacetalk Mobile revenue now represents 48% of ARR in 1H24 vs 8% in 1H23.
- App ARR declined vs pcp as subscribers migrated to Spacetalk Mobile, where the App is bundled with the mobile service.
- A decline in Schools ARR vs pcp reflects the temporary decline in SMS usage and is expected to recover in the future, with the Company having invested in improvements in Schools' technology platform and with new sales initiatives.

Gross profit and margin

Gross profit split by revenue stream is outlined below.

A\$m	1H24	1H23	Change	Change %
Spacetalk Mobile	1.2	(0.1)	1.3	na
Device	1.1	0.5	0.5	93%
App	1.1	1.4	(0.3)	(21%)
Schools	0.8	1.1	(0.2)	(22%)
	4.2	3.0	1.2	40%

The 40% increase in gross profit to \$4.2m (excluding other income) is reflective of the shift in revenue mix towards Spacetalk Mobile as well as improved unit economics during the period.

- Spacetalk Mobile GP increase is consistent with the 850% increase in revenue
- Device GP increase of 93% driven by a 26% increase in revenue and better margin (which improved by 7ppts as below)
- App GP decline reflects the migration of subscribers to the higher average revenue per user Spacetalk Mobile
- Schools GP decline of 22% is reflective of the 18% decline in revenue

Gross profit is equivalent to segment EBITDA numbers disclosed in Note 3.

Gross margin

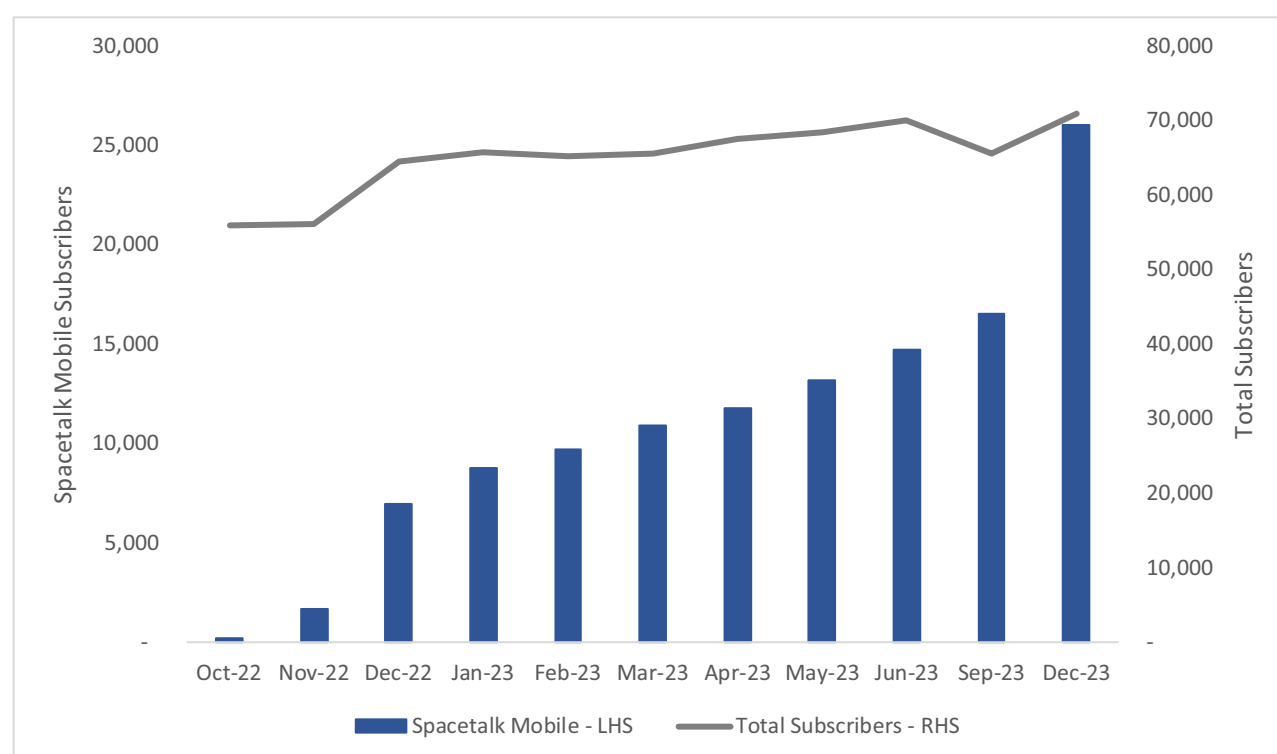
	1H24	1H23	Change
Spacetalk Mobile	61%	-66%	127%
Device	22%	15%	7%
App	75%	75%	0%
Schools	93%	95%	(2%)
	46%	43%	3%

GP margin increased by 3ppts to 46% primarily due to:

- improvement in Spacetalk Mobile margin to 61%. Prior year had upfront costs driving negative margin
- increase in Device margin by 7ppts to 22%, driven by product mix changes and better control of discounts and promotions
- a marginal decline on schools GP to 93% is due to revenue mix changes.

Subscribers

Total subscriber numbers (Spacetalk Mobile and App) increased by 10% to ~71,000 compared to prior year. This growth is primarily driven by Spacetalk Mobile subscribers, with over 26,000 active paying subscribers added since launch in November 2022. This represents growth of 58% on closing Q1FY24 and 77% on closing Q4FY23.



- Spacetalk Mobile (blue graph) has continued with its accelerated growth trajectory since launch
- App subscribers declining as we ramp up Spacetalk Mobile, but total subscribers increasing
- Increase in Spacetalk Mobile subscribers key to revenue growth as ~3x app revenue per customer.

Operating Expenses

Normalised expenses from continuing operations were flat year on year. Managing the cost base continues to be a key priority for the Company.

Reconciliation of normalised EBITDA and net profit from continuing operations

The table below provides a comparison of the normalised EBITDA to statutory net profit from continuing operations.

	1H24 \$m	1H23 \$m	Change \$m	Change %
Normalised EBITDA from continuing operations	(1.3)	(2.5)	1.2	48%
Redundancy costs	(0.2)	-	(0.2)	-
Debt restructuring costs ¹	(0.2)	(3.4)	3.2	(94%)
Fair value (loss) / gains on derivatives ²	(0.3)	2.4	(2.7)	(113%)
Other non-recurring costs ³	(0.6)	-	(0.6)	-
EBITDA	(2.6)	(3.5)	0.9	26%
Depreciation and amortisation	(0.4)	(1.6)	1.2	(75%)
Impairment expenses ⁴	(0.1)	(2.4)	2.4	(96%)
EBIT	(3.1)	(7.5)	4.4	59%
Interest expense	(0.3)	(0.4)	0.1	(25%)
Tax expense	-	-	-	-
Net Loss after income tax expense from continuing operations	(3.4)	(7.9)	4.5	(57%)

1. Debt restructuring costs are non-cash and relate to the accelerated write-off of capitalised transaction costs and recognition of expenses due to the issue of warrants to Pure Asset Management (Pure AM) as part of the debt refinance.

2. Fair value gains on derivatives relate to the fair valuation of the derivative financial liability related to warrants issued to Pure AM.

3. Other non-recurring costs include costs abnormal, non-recurring recruitment costs incurred in 1H24 and other one-off expenses.

4. Impairment expense was due to the write-down of capitalised development costs and inventory

Cashflow

	1H24 \$m	1H23 \$m	Change \$m	Change %
Normalised cash outflows from operating activities	(0.9)	(1.9)	1.0	(53%)
Non-recurring cash flows ¹	(1.3)	0.9	(2.2)	(244%)
Net cash outflow from operating activities	(2.2)	(1.0)	(1.2)	120%
Cash outflow from investing activities	(1.0)	(1.2)	0.2	(17%)
Cash flows from financing activities	3.1	0.9	2.2	244%
Changes in cash and cash equivalents	(0.1)	(1.3)	1.2	(92%)
Changes in fx rates	-	(0.1)	0.1	(100%)
Cash balance at the beginning of the period	3.0	5.6	(2.6)	(46%)
Closing balance at the end of the period	2.9	4.2	(1.3)	(31%)

1. non-recurring cash flows include cash outflows from discontinued operations of \$0.6m (1H23: +\$1.0m inflow) and other one-off costs such as redundancies, recruitment and consultancy costs.

- 1H24 normalised cash flows from continuing operations improvement reflects the trajectory towards cash positive
- one off and overseas exit expenditures are not expected to be material in future periods

FY24 STRATEGY UPDATE

1	Raise funds to support strategy delivery	Complete
2	Get to cash positive	Anticipated Q4FY24
3	Wind down US & UK operations	Complete, with moderate wind down costs to be incurred in 2H24
4	Hire org backbone (Segment Sales, Engineering, Product)	Complete
5	Align whole business behind Spacetalk brand	Complete
6	Review MVNO commercial agreements	Complete
7	Reset & increase Australian education sales	Planned H2FY24
8	Reset & increase ANZ retail 'Kids Watch' sales	Complete
9	Reset & increase ANZ eComm 'Kids Watch' sales	Complete
10	Evaluate & launch* 'Agnostic App' (Family App)	Complete
11	Evaluate & launch* 'MVNO Family Plan'	Complete
12	Activate ANZ '24/7 monitoring' 'Life' sales channel	Planned Q3FY24
H2	Evaluate and upgrade* 'Schools Messaging Product Suite'	Complete (Additional Item - Moved Forward From H2)

H2 Evaluate & launch* 'Budget Watch'

Complete (Additional Item - Moved Forward From H2)

4. Key Risks

The Company operates in a highly competitive and rapidly changing sector, which provides both opportunities and challenges. While some of these challenges and risks may be out of the Group's control, the Company has made, and continues to make investments in its risk management and control frameworks to ensure we can respond to and mitigate the impact of these risks as they arise, whether they result from regulatory changes, shifts in the competitive environment, or other circumstances over which the Group has no control.

The material business risks for the Group are summarised below.

Risk Areas	What we are doing to manage the Risk
Capital and funding Limited access to both debt and equity funding to support strategy execution	<ul style="list-style-type: none"> ○ Regular communications and close relationship with debt funder ○ Close management of cash flow, with regular cash forecasting ○ Regular monitoring financial performance and identifying lead indicators to cash flow risks
Strategic Poor understanding or response to the changes in our competitive environment	<ul style="list-style-type: none"> ○ Regular discussions of strategy and strategic initiatives with the Board ○ Periodic measurement of results against targets ○ Strengthen capability with experts who possess a good command of the environment
Technology Underinvesting in developing and maintaining systems which support innovation and growth.	<ul style="list-style-type: none"> ○ Clear definition of technology roadmap ○ Understanding of changing customer needs and responding with the necessary technology improvements
People Failing to attract and retain culturally aligned staff who can deliver innovative, sustainable and customer focused products and solutions.	<ul style="list-style-type: none"> ○ Remuneration and benefits structure to retain and attract top talent. ○ Clear and consistent on our culture and values
Macroeconomic Failure to identify larger shifts in the economy or retail environment which threatens our strategy or growth.	<ul style="list-style-type: none"> ○ Analyse and monitor economic and retail conditions, at a minimum, to identify shifts and take steps to manage potential impacts
Environment and climate: Not understanding or responding to future environmental risks and impacts	<ul style="list-style-type: none"> ○ Review processes and practices to reduce impact on the environment. ○ Develop reporting on our environmental footprint

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the period.

Matters subsequent to the end of the financial year

On 28 February 2024, the Company secured an agreement with Pure Asset Management (Pure AM) to amend borrowing covenants as follows.

Operating Cash Flow (OCF) Covenant

- a) Pure AM to waive the 3QFY24 OCF covenant.
- b) Amending the 2QFY25 OCF covenant from \$750,000 to \$250,000.

Cash Covenant

- a) \$1m Default Event amended to a Review Event until 31 December 2024.
- b) New Default Event: Cash to exceed \$750,000 at all times.

The amendments will provide Spacetalk with financial flexibility over the coming months.

In return for these concessions, the Company agreed to an interest payment amounting to \$62,500 which will be paid in shares, to be issued at the 10-day VWAP in the final 10 trading days of FY24, up to a maximum of 6,250,000 shares. The issue of these shares will be subject to a price floor of \$0.01.

Other than the matter outlined above, no other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Other than as already disclosed, information on likely developments in the operations of the consolidated entity and the expected results have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Dividends

No Dividends were declared during the half year ended 31 December 2023 (2022 half-year: \$nil)

No dividends relating to the year ended 30 June 2023 were paid during the half year ended 31 December 2023 (2022 half-year: \$nil).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Georg Chmiel
Chair

29 February 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Spacetalk Limited

As lead auditor for the review of Spacetalk Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Spacetalk Limited and the entities it controlled during the period.

William Buck

William Buck (SA)
ABN: 38 280 203 274

M. D. King

M. D. King
Partner

Dated this 29th day of February 2024.

Independent auditor's review report to the members of Spacetalk Limited

Report on the half-year financial report



Our conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Spacetalk Limited (the Company), and its subsidiaries (the Group) does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year then ended; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

What was reviewed?

We have reviewed the accompanying half-year financial report of the Group, which comprises:

- the consolidated statement of financial position as at 31 December 2023,
- the consolidated statement of loss and other comprehensive income for the half-year then ended,
- the consolidated statement of changes in equity for the half-year then ended,
- the consolidated statement of cash flows for the half-year then ended,
- notes to the financial statements, including material accounting policy information and other explanatory information, and
- the directors' declaration.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates the Group has a net asset deficiency of \$1,942,497 at 31 December 2023, a net loss of \$4,027,790 and a net cash outflow from operations of \$2,236,363 for the six month period then ended. As stated in Note 1, these events or conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



William Buck (SA)
ABN: 38 280 203 274



M.D. King
Partner

Dated at Adelaide this 29th day of February 2024.

Spacetalk Limited
Directors' declaration
31 December 2023

In the directors' opinion:

- The attached condensed half-year financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the six-month period ended on that date; and
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Georg Chmiel
Chair

29 February 2024

Spacetalk Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

		Consolidated Half-Year Ended	
	Note	31/12/2023	31/12/2022¹
		\$	\$
Revenue			
Revenue		9,181,617	7,063,028
Cost of sales		(4,970,546)	(4,008,948)
Gross profit		4,211,071	3,054,080
Expenses			
Write down of inventory		(89,940)	(97,016)
Costs relating to debt restructure		(191,954)	(3,365,775)
Employee benefits expense		(3,926,853)	(3,232,759)
Depreciation and amortisation expense		(448,130)	(1,633,200)
Impairment of assets	8	-	(2,245,682)
Loss on disposal of assets		-	(88,208)
Allowance for expected credit loss		-	(69,232)
Share based payments	5	(71,706)	228,500
(Loss) / gain on fair value of derivatives		(349,303)	2,364,293
Marketing expense		(633,735)	(355,028)
Corporate and administration expense		(1,661,008)	(2,012,913)
Loss on foreign exchange		(21,527)	(38,793)
Interest expense		(247,250)	(390,989)
Loss before income tax expense from continuing operations		(3,430,335)	(7,882,722)
Income tax expense		-	-
Loss after income tax expense from continuing operations		(3,430,335)	(7,882,722)
Loss after income tax expense from discontinued operations	2	(597,455)	(1,353,869)
Loss after income tax expense for the half-year attributable to the owners of Spacetalk Limited		(4,027,790)	(9,236,591)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		2,466	(107,000)
Other comprehensive income for the half-year, net of tax		2,466	(107,000)
Total comprehensive income for the half-year attributable to the owners of Spacetalk Limited		(4,025,324)	(9,343,591)
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(3,427,869)	(7,896,016)
Discontinued operations		(597,455)	(1,447,575)
		(4,025,324)	(9,343,591)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Spacetalk Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Spacetalk Limited		
Basic earnings per share	(0.88)	(3.08)
Diluted earnings per share	(0.88)	(3.08)
Earnings per share for loss attributable to the owners of Spacetalk Limited		
Basic earnings per share	(1.03)	(4.77)
Diluted earnings per share	(1.03)	(4.77)

¹The December 2022 figures have been restated into Continued and Discontinued Operations following a restructure in FY23.

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Spacetalk Limited
Statement of financial position
As at 31 December 2023

		Consolidated	
		As at	
	Note	31/12/2023	30/06/2023
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		2,884,829	3,026,165
Trade and other receivables	7	1,948,038	2,765,019
Inventories		2,109,596	2,592,650
Other current assets		1,275,189	581,094
Total current assets		<u>8,217,652</u>	<u>8,964,928</u>
Non-current assets			
Property, plant and equipment		125,908	102,148
Right-of-use assets	9	260,207	322,884
Intangibles	8	<u>2,152,097</u>	<u>1,584,903</u>
Total non-current assets		<u>2,538,212</u>	<u>2,009,935</u>
Total assets		<u>10,755,864</u>	<u>10,974,863</u>
Liabilities			
Current liabilities			
Trade and other payables		1,946,424	2,280,496
Contract liabilities		1,981,364	1,409,440
Lease liabilities	10	124,149	98,949
Derivative liabilities	11	1,523,228	946,605
Income tax		7,663	7,832
Provisions		<u>1,970,665</u>	<u>2,110,642</u>
Total current liabilities		<u>7,553,493</u>	<u>6,853,964</u>
Non-current liabilities			
Borrowings	12	5,000,000	5,000,000
Lease liabilities	13	<u>144,868</u>	<u>228,372</u>
Total non-current liabilities		<u>5,144,868</u>	<u>5,228,372</u>
Total liabilities		<u>12,698,361</u>	<u>12,082,336</u>
Net liabilities		<u>(1,942,497)</u>	<u>(1,107,473)</u>
Equity			
Issued capital	4	40,789,515	37,892,503
Reserves		598,920	303,166
Accumulated losses		<u>(43,330,932)</u>	<u>(39,303,142)</u>
Total deficiency in equity		<u>(1,942,497)</u>	<u>(1,107,473)</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Spacetalk Limited
Statement of changes in equity
For the half-year ended 31 December 2023

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	28,064,477	6,910,841	(24,618,382)	10,356,936
Loss after income tax expense for the half-year	-	-	(9,236,591)	(9,236,591)
Other comprehensive income for the half-year, net of tax	-	(107,000)	-	(107,000)
Total comprehensive income for the half-year	-	(107,000)	(9,236,591)	(9,343,591)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued	1,150,608	-	-	1,150,608
Conversion of rights to shares	200,350	(200,350)	-	-
Cost of shares issued	(31,482)	-	-	(31,482)
Employee rights issued	-	(228,500)	-	(228,500)
Options issued	-	21,357	-	21,357
Balance at 31 December 2022	<u>29,383,953</u>	<u>6,396,348</u>	<u>(33,854,973)</u>	<u>1,925,329</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2023	37,892,503	303,166	(39,303,142)	(1,107,473)
Loss after income tax expense for the half-year	-	-	(4,027,790)	(4,027,790)
Other comprehensive income for the half-year, net of tax	-	2,466	-	2,466
Total comprehensive income for the half-year	-	2,466	(4,027,790)	(4,025,324)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of costs	2,776,995	341,599	-	3,118,594
Share-based payments (note 5)	-	71,706	-	71,706
Conversion of rights to shares	120,017	(120,017)	-	-
Balance at 31 December 2023	<u>40,789,515</u>	<u>598,920</u>	<u>(43,330,932)</u>	<u>(1,942,497)</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Spacetalk Limited
Statement of cash flows
For the half-year ended 31 December 2023

	Consolidated	
	Half-Year Ended	
	31/12/2023	31/12/2022
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	9,810,433	12,176,429
Payments to suppliers and employees (inclusive of GST)	(11,804,744)	(12,789,453)
Interest and other finance costs paid	(242,052)	(341,589)
Income tax paid	-	(4,004)
	<u> </u>	<u> </u>
Net cash used in operating activities	(2,236,363)	(958,617)
Cash flows from investing activities		
Payments for property, plant and equipment	(32,788)	-
Payments for research and development	(943,619)	(1,225,915)
	<u> </u>	<u> </u>
Net cash used in investing activities	(976,407)	(1,225,915)
Cash flows from financing activities		
Proceeds from issue of shares	3,389,409	1,150,608
Share issue costs	(225,095)	(10,125)
Repayment of loan	-	(127,083)
Repayment of lease liabilities	(58,304)	(96,838)
	<u> </u>	<u> </u>
Net cash from financing activities	3,106,010	916,562
Net decrease in cash and cash equivalents	(106,760)	(1,267,970)
Cash and cash equivalents at the beginning of the financial half-year	3,026,164	5,577,088
Effects of exchange rate changes on cash and cash equivalents	(34,575)	(107,000)
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial half-year	<u><u>2,884,829</u></u>	<u><u>4,202,118</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Material accounting policy information

Statement of compliance

The condensed half-year financial report is a general-purpose Financial Report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 "Interim Financial Reporting". The financial report does not include all the information required for an annual financial report and shall be read in conjunction with the most recent annual financial report.

The annual financial report of the company as at and for the year ended 30 June 2023 is available on the Company's website at www.spacetalkwatch.com.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the financial report are consistent with those adopted and disclosed in the company's previous financial year end and corresponding interim period except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Amendments to accounting standards and new interpretations that are mandatorily effective for the current reporting period

There are none that have a material impact for the Group to consider for the reporting period ended 31 December 2023.

Critical accounting judgements and estimates

When preparing the financial report, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management.

The judgements, estimates and assumptions applied in the financial report, including the key sources of estimation uncertainty were the same as those applied in the 2023 Annual Financial report.

Going concern

The Group reported a net asset deficiency of \$1,942,497 at 31 December 2023, a net loss of \$4,027,790 and a net cash outflow from operations of \$2,236,363 for the six months period then ended. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Despite these conditions the Directors have prepared the financial statements on a going concern basis as the Directors believe the Group has adequate resources to meet its obligations for at least 12 months from the date of signing these financial statements.

While the financial forecasts prepared by the Directors support the ability of the Group to continue as a going concern, they are based on the following assumptions:

- The debt facility that matures on 20 March 2025 will be successfully refinanced
- The launch of new products which will drive revenue growth. The revenue streams that are expected to increase are:
 - Spacetalk Mobile revenue due to the launch of the handset plans
 - App revenue as the Reach app gains traction in the market
 - Entry into the safety monitoring market will expand the addressable market and increase device and subscription revenue
- In addition to additional revenue, the Group has implemented a cost out program that is expected to realise ~\$2.7m in annualised cost savings. This demonstrates that the Group can quickly respond to market risks on revenue by reducing operating expenses to preserve cash.
- The continued support of the Group's financier Pure Asset Management Pty Ltd ("Pure AM"). Subsequent to the period end, the group has secured covenant concessions from Pure AM as disclosed in Note 14. The amendments to covenants have the effect of providing financial flexibility to the group as it progresses towards cash positive in future periods. The achievement of the financial forecasts will enable the Group's to meet its revised debt covenants under the terms of its borrowing facility.
- Although not included in the Group's cashflow forecast the opportunity to generate additional cash injection through the exercise of existing options and warrants provides the Group with potential additional funding to pay down debt and provide working capital support. The options and warrants have strike prices between 2.3c to 6.0c, with expiry

Note 1. Significant accounting policies (continued)

dates between December 2024 to December 2026. The conclusion on going concern is, however, not contingent on this.

The Directors believe the preparation of the financial report on a going concern basis is appropriate considering the above factors. However, should the Group not achieve its forecast revenue, or reduce expenditure commensurately if required, it may be unable to realise its assets and discharge its liabilities in the normal course of business. No adjustments to the carrying amount of assets and liabilities have been made should the Group not continue as a going concern.

Note 2. Discontinued operations

During the FY23 financial year, the Company wound down overseas operations in the UK, Europe, and the USA. Device sales ceased with the USA Spacetalk Mobile segment revenue in run off. The half year financial results, other than the Spacetalk Mobile revenue, have been classified as discontinued operations. It is expected that the Spacetalk Mobile revenue will gradually decline through customer attrition in the future.

Financial performance information

	Consolidated	
	31/12/2023	31/12/2022
	\$	\$
Device sales	148,225	2,226,929
Other income	28,250	343
Cost of sales	(240,632)	(1,335,575)
Marketing and advertising	(105,116)	(785,866)
Corporate and administration	(428,182)	(595,084)
Employment costs	-	(864,616)
Total expenses	<u>(773,930)</u>	<u>(3,581,141)</u>
Loss before income tax expense	(597,455)	(1,353,869)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	<u>(597,455)</u>	<u>(1,353,869)</u>

Cash flow information

	Consolidated	
	31/12/2023	31/12/2022
	\$	\$
Net cash from operating activities	(551,562)	918,199
Net cash from investing activities	-	-
Net cash from financing activities	-	-
Net increase in cash and cash equivalents from discontinued operations	<u>(551,562)</u>	<u>918,199</u>

Note 3. Operating segments

Products and services from which reportable segments derive their revenues

The Group operates predominately in five business segments, defined by the Group's different product and service offerings. Operating expenses are centrally managed in a corporate segment.

The groups reportable segments under AASB 8 are therefore as follows

- Devices
- Schools
- Spacetalk Mobile (MVNO)
- Apps
- Corporate

This is the basis by which management controls and reviews the operations of the Group. Segment results are routinely reported to the chief operation decision maker for the purposes of resource allocation and assessment of segment performance on the same basis. No operating segments have been aggregated in arriving at the reportable segments of the group.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Group CEO in assessing performance and in determining the allocation of resources. The operating segments are identified by the Group based on the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the Group CEO on a recurring basis.

Devices and apps reportable segments supply the "Spacetalk" smart watches and applications through retail distribution networks and online sales.

The schools reportable segment provides school messaging services and licence fees to various schools.

Spacetalk Mobile segment sells mobile services under the 'Spacetalk' brand name using the network of a licensed mobile operator.

'Corporate' is the aggregation of the Group's other various sundry income and expenses at corporate level.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

Spacetalk Limited
Notes to the financial statements
31 December 2023

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 31/12/2023	Devices \$	Schools \$	MVNO \$	Apps \$	Corporate \$	Total \$
Revenue						
Sales to external customers	4,746,952	908,301	1,880,686	1,620,799	-	9,156,738
Other revenue	-	-	-	-	24,879	24,879
Total revenue	<u>4,746,952</u>	<u>908,301</u>	<u>1,880,686</u>	<u>1,620,799</u>	<u>24,879</u>	<u>9,181,617</u>
Normalised EBITDA	1,061,402	844,870	1,153,781	1,126,139	(5,520,649)	(1,334,457)
Redundancy costs	-	-	-	-	(214,398)	(214,398)
Debt restructuring costs	-	-	-	-	(191,954)	(191,954)
Fair value loss on derivatives	-	-	-	-	(349,303)	(349,303)
Other non-recurring costs	-	-	-	-	(554,903)	(554,903)
EBITDA	<u>1,061,402</u>	<u>844,870</u>	<u>1,153,781</u>	<u>1,126,139</u>	<u>(6,831,207)</u>	<u>(2,645,015)</u>
Depreciation and amortisation	-	-	-	-	(448,130)	(448,130)
Impairment expense	-	-	-	-	(89,940)	(89,940)
Interest expenses	-	-	-	-	(247,250)	(247,250)
Profit/(loss) before income tax expense	<u>1,061,402</u>	<u>844,870</u>	<u>1,153,781</u>	<u>1,126,139</u>	<u>(7,616,527)</u>	<u>(3,430,335)</u>
Income tax expense						-
Loss after income tax expense						<u>(3,430,335)</u>
Assets						
Segment assets	-	-	-	-	10,755,864	10,755,864
Total assets						<u>10,755,864</u>
Liabilities						
Segment liabilities	-	-	-	-	12,698,361	12,698,361
Total liabilities						<u>12,698,361</u>

Spacetalk Limited
Notes to the financial statements
31 December 2023

Note 3. Operating segments (continued)

Consolidated - 31/12/2022	Devices \$	Schools \$	MVNO \$	Apps \$	Corporate \$	Total \$
Revenue						
Sales to external customers	3,749,356	1,144,962	166,459	1,902,707	-	6,963,484
Other revenue	-	-	-	-	99,544	99,544
Total revenue	<u>3,749,356</u>	<u>1,144,962</u>	<u>166,459</u>	<u>1,902,707</u>	<u>99,544</u>	<u>7,063,028</u>
Normalised EBITDA	571,408	1,085,502	(109,811)	1,429,363	(5,490,815)	(2,514,353)
Debt restructuring costs	-	-	-	-	(3,365,775)	(3,365,775)
Fair value gain on derivatives	-	-	-	-	2,364,293	2,364,293
EBITDA	<u>571,408</u>	<u>1,085,502</u>	<u>(109,811)</u>	<u>1,429,363</u>	<u>(6,492,297)</u>	<u>(3,515,835)</u>
Depreciation and amortisation	-	-	-	-	(1,633,200)	(1,633,200)
Interest expenses	-	-	-	-	(390,989)	(390,989)
Impairment expense	-	-	-	-	(2,342,698)	(2,342,698)
Profit/(loss) before income tax expense	<u>571,408</u>	<u>1,085,502</u>	<u>(109,811)</u>	<u>1,429,363</u>	<u>(10,859,184)</u>	<u>(7,882,722)</u>
Income tax expense						-
Loss after income tax expense						<u>(7,882,722)</u>
Consolidated - 30/06/2023						
Assets						
Segment assets	-	-	-	-	10,974,863	10,974,863
Total assets						<u>10,974,863</u>
Liabilities						
Segment liabilities	-	-	-	-	12,082,336	12,082,336
Total liabilities						<u>12,082,336</u>

Geographical information

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

Revenue by geography	Half Year Ended	
	31/12/2023	31/12/2022
	\$	\$
Australia & New Zealand	8,773,718	6,994,100
United States and Canada	407,889	68,928
	<u>9,181,617</u>	<u>7,063,028</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Note 4. Equity - Issues of equity securities

	Number of fully paid ordinary shares	Issued Capital \$
Balance at 30 June 2023	311,242,939	37,892,503
Capital raising proceeds	149,545,822	3,389,408
Capital raising costs	-	(612,413)
Employee incentive rights, vested	5,687,194	120,017
Balance at 31 December 2023	<u>466,475,955</u>	<u>40,789,515</u>

Note 5. Share-based payments

There were a number of employee performance rights granted during the year. The performance rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration Committee. The rights vest subject to performance conditions specific to the individual employees and continued employment. The employee share-based payment reserve is used to recognise the fair value of share-based payments issued to employees over the vesting period, and to recognise the value attributable to the share-based payments during the reporting period. This reserve also includes the actuarial gain/loss arisen on the defined benefit plan. The valuation model inputs used to determine the fair value as at grant date for current and past incentive rights were as follows:

Grant Date	Expiry Date	Share price at grant date \$	Exercise price \$	Rights life	Dividend Yield \$	Fair value at grant date \$	Number of rights	Vesting date
20/12/2022	31/08/2023	0.03	-	0.70	-	0.030	402,777	31/08/2023
20/12/2022	31/08/2024	0.03	-	1.70	-	0.030	402,778	31/08/2024
20/12/2022	31/08/2025	0.03	-	2.70	-	0.030	402,778	31/08/2025
28/12/2022	1/03/2023	0.03	-	0.67	-	0.030	291,666	01/03/2023
28/12/2022	31/08/2024	0.03	-	1.68	-	0.030	291,667	31/08/2024
28/12/2022	31/08/2025	0.03	-	2.68	-	0.030	291,667	31/08/2025
15/09/2023	28/09/2028	0.021	-	0.01	-	0.021	1,500,000	18/09/2023
15/09/2023	28/09/2028	0.021	-	0.01	-	0.021	250,000	18/09/2023
16/11/2023	16/11/2028	0.019	-	0.01	-	0.019	3,000,000	18/11/2023
16/11/2023	16/11/2028	0.019	-	0.02	-	0.019	239,234	23/11/2023
16/11/2023	16/11/2028	0.019	-	0.02	-	0.019	159,490	23/11/2023
16/11/2023	16/11/2028	0.019	-	0.02	-	0.019	159,490	23/11/2023
16/11/2023	16/11/2028	0.019	-	0.02	-	0.019	159,490	23/11/2023
16/11/2023	16/11/2028	0.019	-	0.02	-	0.019	159,490	23/11/2023
16/11/2023	16/11/2028	0.019	-	0.79	-	0.019	20,769,231	01/09/2024

The expense in relation to these equity-settled share-based payment transactions have been included in profit and loss and credit to share based payment reserve. During the period, an expense of \$177,070 has been recorded in relation to new and existing performance rights. An amount of \$105,364 relating to share-based payments expense recognised in previous periods have been reversed in the profit or loss this period resulting from forfeiture of performance rights. The performance rights that were issued during the period were valued at the prevailing share market price on grant date. The rights are subject to non-market vesting conditions and have short vesting period.

The following table outlines the number of incentive rights on issue and movements during the reporting periods presented.

Spacetalk Limited
Notes to the financial statements
31 December 2023

Note 5. Share-based payments (continued)

Number of rights	As at 31 Dec 2023
As at 30 June 2023	4,917,999
Exercised during the period	(5,687,194)
Lapsed/forfeited during the period	(4,626,389)
Granted during the period	26,396,424
Balance at 31 December 2023 for accounting recognition	<u>21,000,840</u>

Note 6. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 7. Current assets - trade and other receivables

	Consolidated	Consolidated
	31/12/2023	30/06/2023
	\$	\$
Trade receivables	1,959,038	2,703,360
Less: Allowance for expected credit losses	(11,000)	(11,000)
	<u>1,948,038</u>	<u>2,692,360</u>
Other receivables	-	72,659
	<u>1,948,038</u>	<u>2,765,019</u>

Note 8. Non-current assets - intangibles

	Consolidated	Consolidated
	31/12/2023	30/06/2023
	\$	\$
Capitalised development costs	23,404,355	22,460,737
Less: Accumulated amortisation and impairment	(21,252,258)	(20,875,834)
	<u>2,152,097</u>	<u>1,584,903</u>
Distribution rights	-	441,017
Less: Accumulated amortisation and impairment	-	(441,017)
	<u>-</u>	<u>-</u>
	<u>2,152,097</u>	<u>1,584,903</u>

Spacetalk Limited
Notes to the financial statements
31 December 2023

Note 8. Non-current assets - intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial half-year are set out below:

	Distribution Rights \$	Capitalised Development Costs \$	Total \$
Consolidated			
Balance at 1 July 2022	44,110	3,724,687	3,768,797
Additions	-	1,660,899	1,660,899
Impairment of assets	(31,689)	(2,213,993)	(2,245,682)
Amortisation expense	(12,421)	(1,586,690)	(1,599,111)
Balance at 30 June 2023	-	1,584,903	1,584,903
Additions from internal developments	-	943,618	943,618
Amortisation	-	(376,424)	(376,424)
Balance at 31 December 2023	-	2,152,097	2,152,097

Management has assessed the Group's assets for any indicators of impairment. No impairment has been identified in relation to any of the Group's non-current assets, CGUs or Group of CGUs. The capitalised development costs primarily relate to costs associated with the development of new products that were launched into the market over the last 12 months.

Note 9. Non-current assets - right-of-use assets

	Consolidated	
	31/12/2023	30/06/2023
	\$	\$
Land and buildings - right-of-use	375,117	726,562
Less: Accumulated depreciation	(114,910)	(403,678)
	260,207	322,884
Motor vehicles - right-of-use	-	33,176
Less: Accumulated depreciation	-	(33,176)
	-	-
	260,207	322,884

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Building \$
Consolidated	
Balance at 30 June 2022	104,052
Additions	374,225
Depreciation expense	(155,393)
Balance at 30 June 2023	322,884
Depreciation expense	(62,677)
Balance at 31 December 2023	260,207

Note 10. Current liabilities - lease liabilities

	Consolidated	
	31/12/2023	30/06/2023
	\$	\$
Lease liability	124,149	98,949

Note 11. Current liabilities - derivative liabilities

	Consolidated	
	31/12/2023	30/06/2023
	\$	\$
Warrant liabilities (Fair Value: Level 2)	1,523,228	946,605

As part of the loan facility disclosed in note 12, the Company issued additional warrants to Pure Asset Management (Pure AM) that can be exercised for a total of 20 million fully paid-up shares. The warrants can be exercised at any point of time up to 31 December 2026. The warrant liabilities are measured at fair value through profit or loss and have an exercise price of \$0.05.

Existing warrants issued as part of the original loan facility with Pure AM could be exercised for a total of 90 million fully paid-up shares. The warrants have been fair valued as at 31 December 2023.

During the half year, there was a loss on fair value of derivatives of 90 million warrants of \$247,581 recognised in the Statement of Profit and Loss and Comprehensive income as a result of accounting standards requirement to fair value warrants and derivative liabilities. As part of the restructured debt facility with Pure AM, there was a debt restructuring cost of \$191,954 in the Statement of Profit and Loss and Comprehensive income. During the half year, there was a fair value loss of \$101,722 on the issued 20 million additional warrants.

Included in the warrant liabilities is \$35,364 relating to the fair value of Broker fees relating to capital raising that have been accounted for as a liability at period end. The options were issued after the reporting period.

Key assumptions used in determining the fair value of the warrants at 31 December 2023:

Valuation date	Share price at 31 December 2023 \$	Exercise price \$	Expected Volatility %	Warrant Life remaining	Fair value per warrant at Valuation Date	Numbers of warrants on issue	Total fair value of warrants \$
31 December 2023	0.0265	0.05	108%	3 years	0.01470	20,000,000	293,677
31 December 2023	0.0265	0.06*	108%	1.2 years	0.0133	90,000,000	1,194,187
						110,000,000	1,487,864

*This has been repriced to \$0.227 following the capital raise completed in 1H24 in line with the terms of the Warrant Deed.

Note 12. Non-current liabilities - Borrowings

	Consolidated	
	31/12/2023	30/06/2023
	\$	\$
Term Loan	5,000,000	5,000,000

Note 12. Non-current liabilities - Borrowings (continued)

In August 2023, the Company restructured its facility agreement with Pure AM to extend the repayment dates of the facility to 20 March 2025 for the \$5 million facility. As part of this restructure, Spacetalk has agreed to issue an additional 20 million warrants. The restructure resulted in a substantial modification of the existing loan outstanding.

A new warrant liability was recognised at its fair value of \$191,954 on 16 November 2023, based on a Black Scholes valuation model.

Assumptions applied were as follows:

Valuation date	Share Price at 16 November 2023 \$	Exercise Price \$	Expected Volatility %	Warrant life remaining	Fair Value per warrant at valuation date \$	Number of warrants on issue	Total fair value of warrants \$
16 November 2023	<u>0.019</u>	<u>0.05</u>	108%	3.1 years	<u>0.0096</u>	<u>20,000,000</u>	<u>191,954</u>

In addition, the restructured secured term loan facility has the following terms:

Interest rate

- 9.50% per annum (14.50% per annum following a default, payable quarterly)

Transaction Security

- First ranking security as per existing General Security Deed

Financial covenants

i) The Borrower must maintain a cash balance exceeding \$1,250,000 at all times. This has been reset to \$1,000,000 effective 1 January 2024.

ii) Agreement on the operating cash flow covenant effective for Q2 FY24 is -\$1,472,000.

There were no breaches of financial covenants during the year or at 31 December 2023.

Concessions and amendments to covenants were agreed with Pure AM in February 2026. Refer to note 14 for details.

As part of this renegotiation in August 2023, Spacetalk issued to Pure AM a warrant over 20 million Spacetalk shares, exercisable at any time prior to 31 December 2026. The warrant exercise price will be \$0.05 per share with provision for a price adjustment under certain circumstances including but not limited to a change of control or future equity issuances exceeding 15% of shares on issue. The warrant was approved by shareholders on 16 November 2023.

Should this warrant be exercised in full at \$0.05 per share, this would provide the Company with an additional \$1.0 million of cash.

Note 13. Non-current liabilities - Lease liabilities

	Consolidated	
	31/12/2023	30/06/2023
	\$	\$
Lease liability	<u>144,868</u>	<u>228,372</u>

Note 13. Non-current liabilities - lease liabilities (continued)

Maturity analysis

Less than one year	124,149	98,949
Between 1 and 5 years	144,868	228,372
	<u>269,017</u>	<u>327,321</u>

Note 14. Events after the reporting period

On 28 February 2024, the Company secured an agreement with Pure AM to amend borrowing covenants as follows.

Operating Cash Flow (OCF) Covenant

- a) Pure AM to waive the 3QFY24 OCF covenant.
- b) Amending the 2QFY25 OCF covenant from \$750,000 to \$250,000.

Cash Covenant

- a) \$1m Default Event amended to a Review Event until 31 December 2024.
- b) New Default Event: Cash to exceed \$750,000 at all times.

The amendments will provide Spacetalk with financial flexibility over the coming months.

In return for these concessions, the Company agreed to an interest payment amounting to \$62,500 which will be paid in shares, to be issued at the 10-day VWAP in the final 10 trading days of FY24, up to a maximum of 6,250,000 shares. The issue of these shares will be subject to a price floor of \$0.01.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 15. Commitments

There have been no changes to commitments since 30 June 2023.