

**Spacetalk Limited**  
**Appendix 4E**  
**Preliminary final report**

**1. Company details**

|                   |                                 |
|-------------------|---------------------------------|
| Name of entity:   | Spacetalk Limited               |
| ABN:              | 93 091 351 530                  |
| Reporting period: | For the year ended 30 June 2023 |
| Previous period:  | For the year ended 30 June 2022 |

**2. Results for announcement to the market**

|   | Year ended<br>30 June 2023<br>\$ | Year ended<br>30 June 2022<br>\$ | Change on<br>previous<br>period<br>\$ | Change on<br>previous<br>period<br>% |
|---|----------------------------------|----------------------------------|---------------------------------------|--------------------------------------|
| Revenues from ordinary activities   | 15,534,194                       | 20,158,664                       | (4,624,470)                           | (23%)                                |
| Loss from ordinary activities after tax attributable to the owners of Spacetalk Limited | (14,684,760)                     | (8,180,110)                      | (6,504,650)                           | 80%                                  |
| Loss for the year attributable to the owners of Spacetalk Limited                       | (14,684,760)                     | (8,180,110)                      | (6,504,650)                           | 80%                                  |

*Dividends*

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

**Brief Explanation on Results**

Please refer to the Preliminary Financial Statements, Review of Operations on pages 2 to 10.

**3. Net tangible assets**

|   | Reporting<br>period<br>Cents | Previous<br>period<br>Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | <u>(0.86)</u>                | <u>3.05</u>                 |

**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.

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**8. Details of associates and joint venture entities**

Not applicable.

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**9. Foreign entities**

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

Not applicable.

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**10. Audit qualification or review**

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

The accounts are in the process of being audited.

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**11. Attachments**

*Details of attachments (if any):*

The Preliminary financial statements of Spacetalk Limited for the year ended 30 June 2023 is attached.

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**12. Signed**



Georg Chmiel  
Chairman

Date: 28 August 2023

# **Spacetalk Limited**

**ABN 93 091 351 530**

**Preliminary financial statements - 30 June 2023**

**Spacetalk Limited**  
**Contents**  
**30 June 2023**

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**Spacetalk Limited**  
**Review of Operations & Financial Results**  
**30 June 2023**

**Review of operations**

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 FY23 results review is performed based on continuing operations following the wind down of overseas operations during the year. Results from discontinued operations are outlined in note 6 to the financial statements.

**1. GROUP PERFORMANCE**

For the year ended 30 June 2023 the Group reported annual recurring revenue (ARR) of \$8.3m, 33% up compared with the prior year. The increase in ARR is consistent with the strategic shift towards a subscription-based business model. The Group also recorded strong 2H23 performance with normalised EBITDA of -\$0.6m (1H23: -\$2.4m), underpinned by the restructure that was completed in Q4/FY23. This provides a solid foundation for future profitability and positive cash generation.

The overall 9% decline in revenue from continuing operations is due to device revenue decline. Despite phasing out the Kids watch in Q1/FY23, the Company managed to minimise the revenue reduction impact during FY23 by introducing the MNVO subscriptions revenue and improved agreements with retail partners and controlled discounting that resulted in improved margins. These improvements were offset by the impact of strategic discounting and promotional activity to sell down large retailer Adventurer 1 inventory as the Company sought to launch new products in Q4 of FY23 and Q2 of FY24.

FY23 was a transformational year for the Company, where the focus was restructuring and rebuilding which impacted the profit and loss with a net \$4.1m one off non-recurring costs as described below on page 5.

**KEY PERFORMANCE METRICS**

|  | Year ended<br>30 June 2023 | Year ended<br>30 June 2022 | Change on<br>previous period | Change on<br>previous period |
|--|----------------------------|----------------------------|------------------------------|------------------------------|
|  | \$m                        | \$m                        | \$m                          | %                            |
| Revenue from continuing operations                 | 13.4                       | 14.8                       | -1.4                         | -9% ↓                        |
| Gross profit from continuing operations            | 6.7                        | 8.7                        | -2.0                         | -23% ↓                       |
| Gross profit margin                                | 50%                        | 59%                        | 9%                           | -9ppt ↓                      |
| Operating expenses before one off costs            | 12.6                       | 15.3                       | -2.7                         | -17% ↓                       |
| Normalised EBITDA from continuing operations       | -3.0                       | -1.5                       | -1.6                         | 107% ↓                       |
| Annual recurring revenue (ARR)                     | 8.3                        | 6.3                        | 2.1                          | 33% ↑                        |
| Normalised cash outflow from operations activities | -1.7                       | -5.6                       | 3.8                          | -69% ↓                       |
| Subscribers (#)                                    | 69,978                     | 59,652                     | 10,326                       | 17% ↑                        |
| Cash balance                                       | 3.0                        | 5.6                        | -2.6                         | -46% ↓                       |

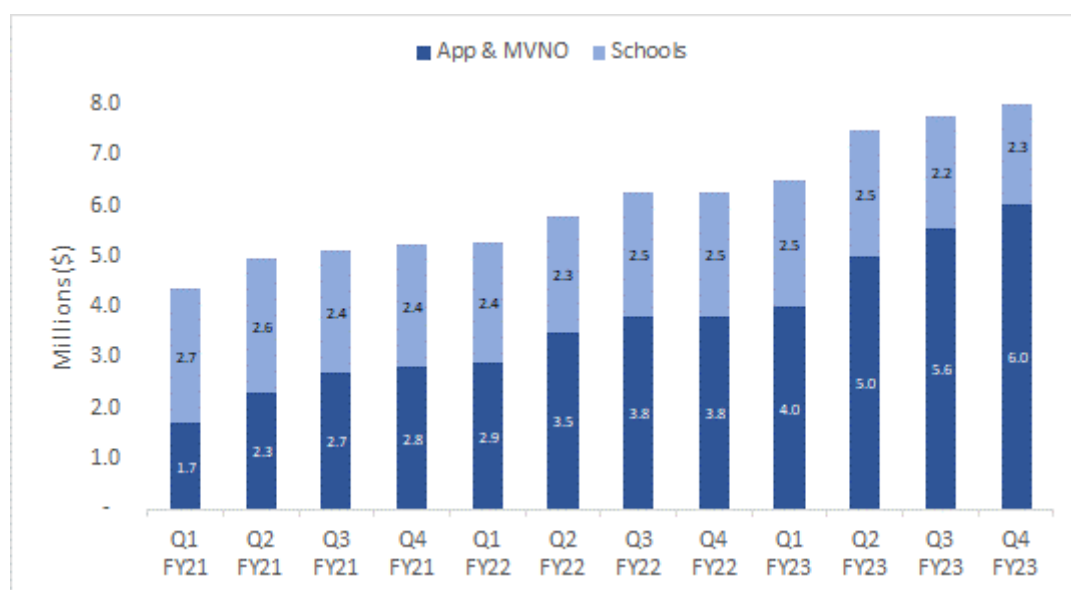
## Revenue

Revenue from continuing operations declined by 9% to \$13.4m primarily driven by a 33% (\$3.0m) decline in device revenue partially offset by a \$1.8m upside in Mobile Virtual Network Operator (MVNO) and Application revenue. During FY23, the MVNO alone generated \$1.4m in revenue (2022: NIL). This trend is consistent with the strategic shift towards recurring revenue, which rose to 54% of total revenue during the year (FY22: 39%). MVNO subscriber growth has been robust and consistent since November 2022's launch, totalling 14,720 subscribers added at the end of the year.

As Spacetalk continues to transition to the higher Average Revenue Per User (ARPU) MVNO product, Application subscriber numbers declined 7% to 55,258. App revenue however increased by 13% to \$3.8m due to higher average paying users during the year. Schools' revenue decline of \$0.3m (12%) was due to a decline in SMS volume vs prior corresponding period ("pcp").

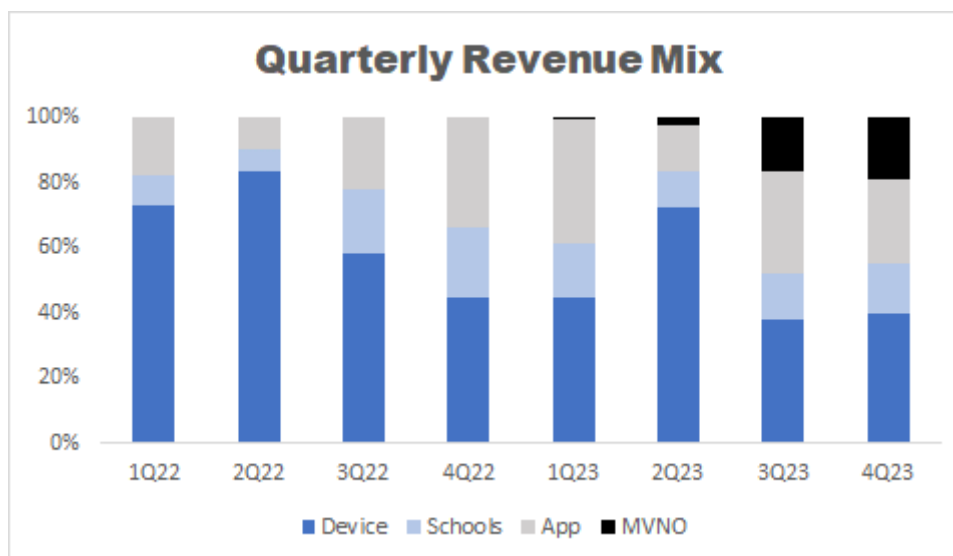
Detailed analysis is included in the segment performance section on pages 6 to 9.

## Annual Recurring Revenue (ARR)



- ARR increased by 33% compared to pcp and 7% on Q3, driven by strong MVNO revenue growth.
- MVNO revenue now represents 31% of ARR.
- The increase in ARR reflects the strategic shift in focus to a higher yielding subscription model.

## Revenue Mix



- Improved revenue mix with MVNO now 10% of revenue (FY22: NIL)
- Recurring revenue comprised 54% of revenue (FY22: 39%) and was 60% in Q4FY23 (Q4FY22:55%)

## Gross Profit

The 23% decline in gross profit to \$6.7m (excluding other income) is reflective of the decline in device revenue during the year, partially offset by the new MVNO revenue. GP margin declined by 9ppts to 50% primarily due to a decline in device margins because of discounting and promotional activities undertaken during the year to sell off excess Adventurer 1 inventory. The Company is focused on future margin improvement through controlled discounting and promotions, resetting retailer margins, and managing retailer inventory levels.

## Operating Expenses

Normalised Group operating expenses (including discontinued operations) declined by 17% to \$12.6m due to:

- \$2.7m (33%) reduction in employment expenses to \$5.5m. This was mainly due to \$0.9m savings in overseas operations and a \$0.6m reduction in share-based payments expense.
- \$0.4m (24%) decline in advertising and marketing expenses mainly due to ~\$0.3m spent on retailer support in overseas operations in prior year
- an increase in administration expenses of \$0.3m partially offset the above decreases.

Savings generated by winding down overseas operations present the Company with an opportunity to redeploy costs to value accretive strategic initiatives in the ANZ region. The ANZ cost base has been resized and a significant capability uplift has been achieved through engaging specialists in key roles to aid strategy execution.

**Spacetalk Limited**  
**Review of Operations & Financial Results**  
**30 June 2023**

**Reconciliation of normalised EBITDA to net profit from continuing operations.**

|  | Year ended<br>30 June 2023 | Year ended<br>30 June 2022 | Change on<br>previous period | Change on<br>previous period |
|--|----------------------------|----------------------------|------------------------------|------------------------------|
|  | \$m                        | \$m                        | \$m                          | %                            |
| Normalised EBITDA from continuing operations                 | -3.0                       | -1.5                       | -1.6                         | 107%                         |
| Redundancy costs   | -0.4                       | -                          | -0.4                         | na                           |
| Restructuring costs  | -0.6                       | -                          | -0.6                         | na                           |
| Warranty provision reversal                                  | 0.4                        | -                          | 0.4                          | na                           |
| Debt restructuring costs                                     | -3.4                       | -                          | -3.4                         | na                           |
| Fair value gains on derivatives                              | 1.7                        | 0.5                        | 1.2                          | 215%                         |
| Statutory EBITDA   | -5.3                       | -0.9                       | -4.4                         | 471%                         |
| Depreciation and amortisation                                | -1.8                       | -3.7                       | 1.9                          | -52%                         |
| Impairment expenses  | -3.1                       | -                          | -3.1                         | na                           |
| Statutory EBIT   | -10.2                      | -4.6                       | -5.6                         | 121%                         |
| Interest expense   | -0.6                       | -1.1                       | 0.5                          | -44%                         |
| Tax expense  | -0.3                       | -0.6                       | 0.4                          | -60%                         |
| Net Loss after income tax expense from continuing operations | -11.1                      | -6.3                       | -4.8                         | 75%                          |

2H23 normalised EBITDA was -\$0.6m (1H23: - \$2.4m), underpinned by the business restructure completed during Q4. This sets a solid foundation for future profitability and cash generation, with the cost base resized to drive strategy and revenue growth.

**Notes**

- Redundancy and restructuring costs relate to one off business transformation costs incurred in FY23.
- Warranty provision reversal is a large one off non-recurring reversal of warranty provisions in FY23.
- Debt restructuring costs are non-cash and relate to the accelerated write off of capitalised transaction costs, recognition of an expenses due to issue of warrants to Pure Asset Management (Pure) as part of debt restructuring.
- Fair value gains on derivatives are with respect to the fair valuation of the derivative financial liability related to warrants issued to Pure Asset Management.
- Depreciation and amortisation relate predominantly to amortisation of capitalised development costs.
- Impairment expense is primarily due to the write down of capitalised development costs (\$2.3m) and Life watch inventory (\$0.8m).

**CASH FLOW**

|  | Year ended<br>30 June 2023 | Year ended<br>30 June 2022 | Change on<br>previous period | Change on<br>previous period |
|--|----------------------------|----------------------------|------------------------------|------------------------------|
|  | \$m                        | \$m                        | \$m                          | %                            |
| Normalised cash outflows from operating activities | -1.7                       | -5.6                       | 3.8                          | -69%                         |
| Restructuring costs                                | -1.7                       | -                          | -1.7                         | na                           |
| Net cash outflow from operating activities         | -3.4                       | -5.6                       | 2.1                          | -38%                         |
| Cash outflow from investing activities             | -1.7                       | -3.3                       | 1.7                          | -50%                         |
| Cash flows from financing activities               | 2.5                        | 10.6                       | -8.1                         | -76%                         |
| Changes in cash and cash equivalents               | -2.6                       | 1.7                        | -4.3                         | -258%                        |
| Changes in fx rates                                | 0.1                        | -0.3                       | 0.4                          | -128%                        |
| Cash balance at the beginning of the year          | 5.6                        | 4.2                        | 1.4                          | 33%                          |
| <b>Closing balance at the end of the year</b>      | <b>3.0</b>                 | <b>5.6</b>                 | <b>-2.6</b>                  | <b>-46%</b>                  |

- Improvement in operating cash flows driven by:
  - 17% (\$2.7m) lower operating expenses, partially offset by one off restructuring costs of \$1.7m and lower revenue.
  - \$2.7m inflow from reduction in net working capital vs \$4.2m outflow due to working capital increase in prior year.
- Lower capex spend in FY23 due to optimisation of use of external resources.
- Lower capital raised in FY23 (\$2.7m) vs \$11.5m equity and debt capital raised in FY22.



## **FUNDING AND CAPITAL**

Debt facilities amounting to \$5m from Pure Asset Management (Pure) were fully drawn by 30 June 2023. The tenure of the facilities is:

- Loan 2 facility of \$2m which is due on 1 July 2024:
- Loan 1 facility which is due on 20 March 2025.

Post year end, an agreement was signed with Pure to restructure the debt facilities. The key changes include:

- Aligning the Repayment Date for Tranche 1 and Tranche 2 to 20 March 2025 from 1 July 2024.
- Providing short-term covenant flexibility to facilitate the rollout of Spacetalk's new Budget Watch in the coming quarter.
- Reduction in cash covenants from \$1.25m to \$1.0m from 1 January 2024.
- Agreement on the operating cash flow covenant effective Q2 FY24.

As part of this renegotiation, Spacetalk issued to Pure 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 is subject to shareholder approval.

## **SUBSEQUENT EVENTS**

The following material events occurred after year end.

- Restructure of the debt facility as described in the Funding and Capital section above.
- The Company successfully secured commitments for a Placement to raise a gross amount of \$761,700 at \$0.022 per share. The Placement is expected to settle on 5 September 2023.
- A partially underwritten pro-rata non-renounceable entitlement issue of one (1) Share for every 2.5 Shares to raise a gross amount of \$2,738,938 at \$0.022 per share was announced on 28 August 2023.

In addition, subscribers into the placement and non-renounceable rights will receive one Option for every 2 new shares that they have subscribed for, with Placement Options subject to the approval of Spacetalk's shareholders.

The rights issue is expected to conclude on 29 September 2023.

For more details on subsequent events refer to note 24 to the financial statements.

## **2. SEGMENT PERFORMANCE**

The Directors consider the business from a customer perspective, supported by four core products that have been identified as reportable segments:

- Device sales
- Schools' subscriptions
- App subscriptions
- MVNO subscriptions

Spacetalk's profit performance from continuing operations for its four operating segments is summarised in the table below.

### Summary Segment Result

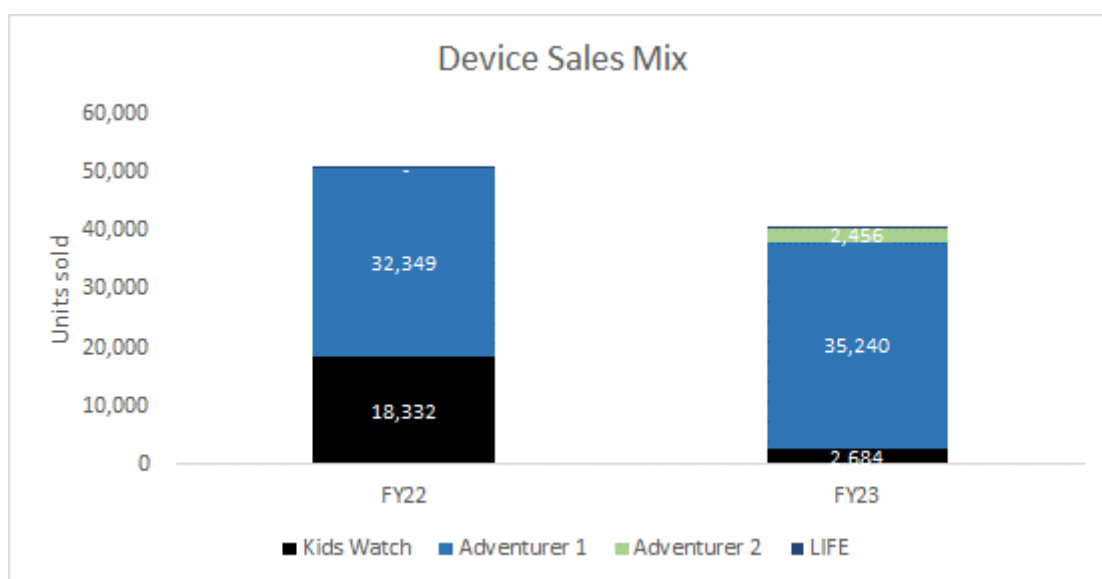
| A\$m                 | FY23        | FY22        | Change       | Change %    |
|----------------------|-------------|-------------|--------------|-------------|
| Device               | 6.1         | 9.0         | (3.0)        | -33%        |
| Schools              | 2.1         | 2.4         | (0.3)        | -12%        |
| App Subscriptions    | 3.8         | 3.4         | 0.4          | 13%         |
| MVNO                 | 1.4         | 0.0         | 1.4          | na          |
| <b>Revenue</b>       | <b>13.4</b> | <b>14.8</b> | <b>(1.5)</b> | <b>-10%</b> |
| Device               | 5.0         | 5.2         | (0.2)        | -4%         |
| Schools              | 0.1         | 0.1         | (0.0)        | -29%        |
| Apps                 | 0.9         | 0.8         | 0.1          | 7%          |
| MVNO                 | 0.6         | 0.0         | 0.6          | na          |
| <b>Cost of Sales</b> | <b>6.6</b>  | <b>6.2</b>  | <b>0.5</b>   | <b>7%</b>   |
| Device               | 1.1         | 3.8         | (2.8)        | -72%        |
| Schools              | 2.0         | 2.3         | (0.3)        | -11%        |
| Apps                 | 2.9         | 2.6         | 0.4          | 14%         |
| MVNO                 | 0.7         | 0.0         | 0.7          | na          |
| <b>Gross profit</b>  | <b>6.7</b>  | <b>8.7</b>  | <b>(1.9)</b> | <b>-22%</b> |

## SEGMENT ANALYSIS

### Device Revenue

Device revenue declined by 33% to \$6.1m primarily driven by:

- A 21% decrease in sales volume from 51,036 units in FY22 to 40,572 units in FY23.
- FY22 high sales volume resulted in significant stock in channel that impacted FY23 retailer demand.
- Change in sales mix also affected revenue, with the graph below showing sales mix in FY23 compared with FY22.



- Kids watch, a lower priced product, was 36% of sales volume in FY22 (FY23: 7%) and 28% of sales value (FY23: 5%).
- Adventurer 1 volume was 87% of total in FY23 vs 63% in FY22, albeit at 24% lower average price in FY23 vs FY22.

**Spacetalk Limited**  
**Review of Operations & Financial Results**  
**30 June 2023**

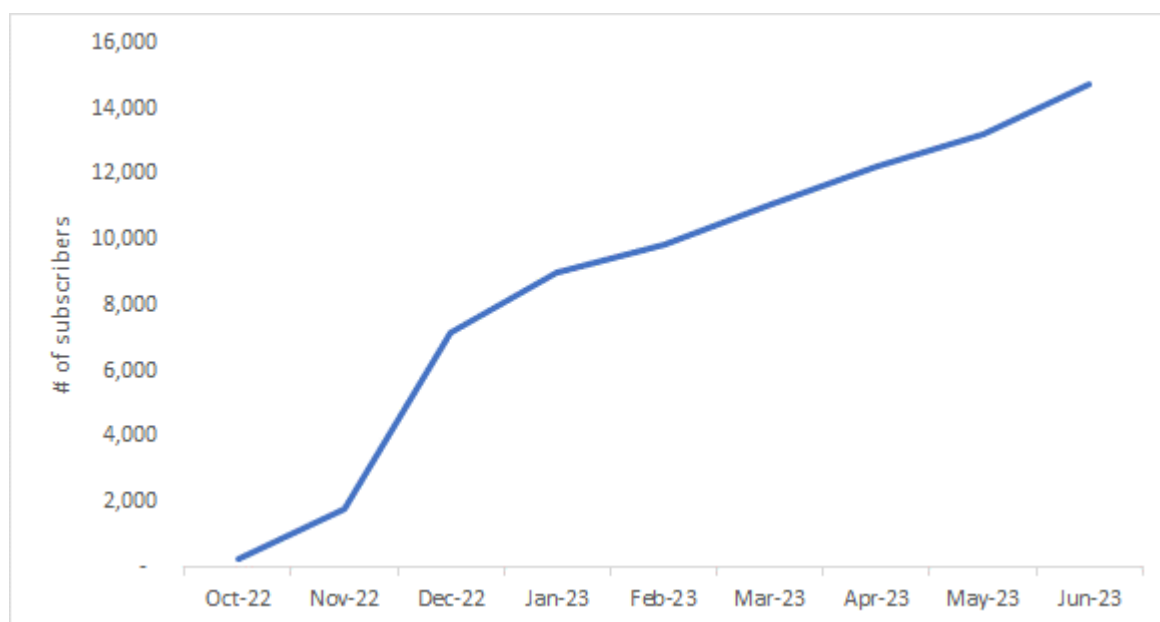
- Adventurer 2, which was launched in May 23, was 6% of sales total in FY23.
- The change in sales mix towards higher priced Adventurer 1 vs the cheaper Kids watch impacted demand and sales volume.

**Device sales gross profit and margin**

- Gross profit reduced by 72% to \$1.1m in FY23 due to a reduction in sales volume (as outlined above) and reduced average price, primarily for Adventurer 1.
- The reduced price impacted gross margin which reduced to 18% in FY23 vs 42% in FY22 due to strategic discounting and promotional activity in FY23.
  - Adventurer 1 average price reduced by 24% in FY23 vs FY22 as legacy large inventory held in retailers was sold to facilitate the launch of Adventurer 2 in May 23.
  - This resulted in Adventurer 1 gross margin reducing from 44% in FY22 to 14% in FY23.

**MVNO**

MVNO subscribers recorded robust growth since launch in November 2022. The graph below shows the monthly active subscribers since launch to the end of FY23.



The net addition of MVNO 14,720 subscribers generated \$1.4m in revenue (2022: NIL). Sustaining this growth momentum is key to MVNO revenue continued growth, with the 1,200 new subscribers signed in June 23 month. With higher monthly average revenue per user compared to App users, the strategic shift towards recurring MVNO revenue will result in sustained future revenue growth.

MVNO gross margin was 53% in FY23.

**App subscriptions**

App revenue increase of 13% was driven by an 11% increase in the number of **average** paying subscribers to 59,819. As Spacetalk continues to transition to higher ARPU MVNO products, App subscriber numbers on 30 June 2023 declined 7% to 55,258 vs FY22.

App gross margin of 77% was relatively consistent with FY22 (76%).

**Spacetalk Limited**  
**Review of Operations & Financial Results**  
**30 June 2023**

**Schools' revenue**

Schools' revenue decline of \$0.3m (12%) was due to a decline in SMS volume vs pcp. Total SMS volume declined by 13% to 23,255,198 SMSs, coming off high COVID communications. Subscription licence fee revenue was relatively consistent at \$1.0m year on year.

Schools gross profit of \$2.0m is 11% lower than prior year, consistent with SMS revenue decline. Gross margin remained flat at 95% vs prior year (94%).

### **3. GROWTH STRATEGY**

Spacetalk's strategic turnaround plan is well underway with the realisation of significant results during Q4 of FY23. The strategy is underpinned by transforming Spacetalk from a consumer electronics business to a wearable enabled software subscription and MVNO business. A significant part of the strategy involved the wind down of unprofitable overseas operations in the United States, United Kingdom, and Europe, to focus on transforming the business in the Australia and New Zealand (ANZ region).

### **FY24 PRIORITIES**

Spacetalk is focused on executing the following priorities in FY24.

- Product Development.
  - New family-focused mobile virtual network operator (MVNO) products that provide an opportunity to obtain whole families as Spacetalk customers.
  - Device agnostic (open) mobile application product (Family App) that provides an opportunity to retain older children and parents as customers of Spacetalk as they outgrow watch usage.
  - Schools messaging platform refresh, starting with the release of a new Schools <> Parents messaging app that provides the opportunity for parents to opt into marketing communication from Spacetalk.
  - Launch the 'Budget Watch' (Loop) in Q2 FY24, filling a gap in hardware product line-up left by the retirement of the 3G Kids Watch.
  - Life Watch renewal, to become a Mobile Personal Emergency Response (mPERS) device. This provides an entirely new segment opportunity. Development of back-end systems to connect existing Life watch to 24/7 emergency monitoring provider call centre triage systems. Further updates to firmware to enable advanced mPERS features are ongoing. Launch of new mPERS Life watch capability and 24/7 monitoring provider relationships is planned for Q1FY24.
- Brand Alignment
  - MGM Wireless to become Spacetalk Schools in Q1FY24
  - Jumpy SIM to become Spacetalk Mobile in Q1FY24
- Capability Uplift to drive strategy execution.

#### **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.

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

**Spacetalk Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2023**

|   | Note | 2023<br>\$          | 2022<br>Restated<br>\$ |
|---|------|---------------------|------------------------|
| <b>Revenue from continuing operations</b>   |      |                     |                        |
| Revenue   | 3    | 13,455,483          | 14,878,735             |
| Cost of sales   | 4    | (6,621,702)         | (6,167,961)            |
| Gross profit  |      | 6,833,781           | 8,710,774              |
| <b>Expenses from continuing operations</b>  |      |                     |                        |
| Interest expense  |      | 614,965             | 1,092,011              |
| Allowance for expected credit loss  |      | -                   | 69,171                 |
| Depreciation and amortisation expense   | 4    | 1,782,751           | 3,686,445              |
| Corporate and administration  |      | 3,902,201           | 2,539,840              |
| Advertising and marketing   |      | 703,969             | 1,156,673              |
| Employee benefits expense   |      | 5,706,284           | 6,402,484              |
| Impairment of assets  | 4    | 3,230,415           | -                      |
| Costs relating to debt restructure  | 20   | 3,376,275           | -                      |
| Fair value gain on fair value of derivatives  | 20   | (1,714,052)         | (544,231)              |
| Loss on foreign exchange  |      | 45,163              | 11,849                 |
| <b>Loss before income tax expense from continuing operations</b>  |      | (10,814,190)        | (5,703,468)            |
| Income tax expense  | 5    | (249,976)           | (620,410)              |
| Loss after income tax expense from continuing operations  |      | (11,064,166)        | (6,323,878)            |
| Loss after income tax (expense)/benefit from discontinued operations  | 6    | (3,620,594)         | (1,856,232)            |
| <b>Loss after income tax (expense)/benefit for the year attributable to the owners of Spacetalk Limited</b> |      | (14,684,760)        | (8,180,110)            |
| <b>Other comprehensive income</b>   |      |                     |                        |
| <i>Items that may be reclassified subsequently to profit or loss</i>  |      |                     |                        |
| Foreign currency translation  |      | 59,967              | 136,948                |
| Other comprehensive income for the year, net of tax   |      | 59,967              | 136,948                |
| <b>Total comprehensive loss for the year attributable to the owners of Spacetalk Limited</b>                |      | <u>(14,624,793)</u> | <u>(8,043,162)</u>     |
| Total comprehensive loss for the year is attributable to:   |      |                     |                        |
| Continuing operations   |      | (11,004,199)        | (6,186,930)            |
| Discontinued operations   |      | (3,620,594)         | (1,856,232)            |
|   |      | <u>(14,624,793)</u> | <u>(8,043,162)</u>     |

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

**Spacetalk Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2023**

|   |   | <b>Cents<br/>2023</b> | <b>Cents<br/>2022</b> |
|---|---|-----------------------|-----------------------|
| <b>Earnings per share for loss from continuing operations attributable to the owners of Spacetalk Limited</b>   |   |                       |                       |
| Basic earnings per share  | 7 | (4.29)                | (3.64)                |
| Diluted earnings per share  | 7 | (4.29)                | (3.48)                |
| <b>Earnings per share for loss from discontinued operations attributable to the owners of Spacetalk Limited</b> |   |                       |                       |
| Basic earnings per share  | 7 | (1.40)                | (1.07)                |
| Diluted earnings per share  | 7 | (1.40)                | (1.02)                |
| <b>Earnings per share for loss attributable to the owners of Spacetalk Limited</b>                              |   |                       |                       |
| Basic earnings per share  | 7 | (5.69)                | (4.71)                |
| Diluted earnings per share  | 7 | (5.69)                | (4.50)                |

Refer to note 2 for detailed information on restatement of comparatives.

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

**Spacetalk Limited**  
**Consolidated statement of financial position**  
**As at 30 June 2023**

|                                      | <b>Note</b> | <b>2023<br/>\$</b> | <b>2022<br/>Restated<br/>\$</b> | <b>1 July 2021<br/>Restated<br/>\$</b> |
|--------------------------------------|-------------|--------------------|---------------------------------|--|
| <b>Assets</b>                        |             |                    |                                 |  |
| <b>Current assets</b>                |             |                    |                                 |  |
| Cash and cash equivalents            | 8           | 3,026,165          | 5,577,088                       | 4,185,033                              |
| Trade and other receivables          | 9           | 2,828,750          | 3,793,997                       | 2,218,826                              |
| Inventories                          | 10          | 2,592,650          | 7,240,781                       | 1,736,994                              |
| Other current assets                 | 11          | 517,363            | 761,411                         | 2,774,845                              |
| <b>Total current assets</b>          |             | <b>8,964,928</b>   | <b>17,373,277</b>               | <b>10,915,698</b>                      |
| <b>Non-current assets</b>            |             |                    |                                 |  |
| Property, plant and equipment        | 13          | 102,148            | 221,971                         | 205,911                                |
| Right-of-use assets                  | 14          | 322,884            | 104,052                         | 289,016                                |
| Intangibles                          | 15          | 1,584,903          | 3,768,797                       | 3,941,220                              |
| Deferred tax                         |             | -                  | -                               | 655,661                                |
| <b>Total non-current assets</b>      |             | <b>2,009,935</b>   | <b>4,094,820</b>                | <b>5,091,808</b>                       |
| <b>Total assets</b>                  |             | <b>10,974,863</b>  | <b>21,468,097</b>               | <b>16,007,506</b>                      |
| <b>Liabilities</b>                   |             |                    |                                 |  |
| <b>Current liabilities</b>           |             |                    |                                 |  |
| Trade and other payables             | 16          | 2,280,496          | 3,717,028                       | 1,944,348                              |
| Contract liabilities                 | 17          | 1,409,440          | 709,209                         | 660,973                                |
| Borrowings                           | 20          | -                  | 3,077,683                       | -                                      |
| Lease liabilities                    | 19          | 98,949             | 109,304                         | 183,539                                |
| Income tax                           | 5           | 7,832              | 90,347                          | 51,379                                 |
| Provisions                           | 18          | 2,110,642          | 1,541,032                       | 418,494                                |
| Derivative liabilities               | 21          | 946,605            | -                               | -                                      |
| <b>Total current liabilities</b>     |             | <b>6,853,964</b>   | <b>9,244,603</b>                | <b>3,258,733</b>                       |
| <b>Non-current liabilities</b>       |             |                    |                                 |  |
| Borrowings                           | 20          | 5,000,000          | -                               | 1,538,125                              |
| Lease liabilities                    | 19          | 228,372            | -                               | 109,304                                |
| Deferred tax liabilities             |             | -                  | 1,063                           | 1,046                                  |
| Derivative liabilities               | 21          | -                  | 1,865,495                       | 2,409,726                              |
| <b>Total non-current liabilities</b> |             | <b>5,228,372</b>   | <b>1,866,558</b>                | <b>4,058,201</b>                       |
| <b>Total liabilities</b>             |             | <b>12,082,336</b>  | <b>11,111,161</b>               | <b>7,316,934</b>                       |
| <b>Net assets/(liabilities)</b>      |             | <b>(1,107,473)</b> | <b>10,356,936</b>               | <b>8,690,572</b>                       |
| <b>Equity</b>                        |             |                    |                                 |  |
| Issued capital                       | 22          | 37,892,503         | 28,064,477                      | 18,686,099                             |
| Reserves                             | 23          | 303,166            | 6,910,841                       | 6,442,745                              |
| Accumulated losses                   |             | (39,303,142)       | (24,618,382)                    | (16,438,272)                           |
| <b>Total equity/(deficiency)</b>     |             | <b>(1,107,473)</b> | <b>10,356,936</b>               | <b>8,690,572</b>                       |

Refer to note 2 for detailed information on restatement of comparatives.

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



**Spacetalk Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2023**

|  | <b>Issued<br/>capital<br/>\$</b> | <b>Reserves<br/>\$</b> | <b>Accumulated<br/>losses<br/>\$</b> | <b>Total equity<br/>\$</b> |
|--|----------------------------------|------------------------|--------------------------------------|----------------------------|
| Balance at 1 July 2021                                       | 18,686,099                       | 6,442,745              | (15,777,299)                         | 9,351,545                  |
| Adjustment for correction of error (note 2)                  | -                                | -                      | (660,973)                            | (660,973)                  |
| Balance at 1 July 2021 - restated                            | 18,686,099                       | 6,442,745              | (16,438,272)                         | 8,690,572                  |
| Loss after income tax expense for the year                   | -                                | -                      | (8,180,110)                          | (8,180,110)                |
| Other comprehensive income for the year, net of tax          | -                                | 136,948                | -                                    | 136,948                    |
| Total comprehensive income/(loss) for the year               | -                                | 136,948                | (8,180,110)                          | (8,043,162)                |
| <i>Transactions with owners in their capacity as owners:</i> |                                  |                        |                                      |                            |
| Share issued   | 9,497,018                        | -                      | -                                    | 9,497,018                  |
| Cost of share issued   | (328,280)                        | -                      | -                                    | (328,280)                  |
| Options/rights issued  | 209,640                          | 331,148                | -                                    | 540,788                    |
| Balance at 30 June 2022                                      | <u>28,064,477</u>                | <u>6,910,841</u>       | <u>(24,618,382)</u>                  | <u>10,356,936</u>          |

Refer to note 2 for detailed information on restatement of comparatives.

|  | <b>Issued<br/>capital<br/>\$</b> | <b>Reserves<br/>\$</b> | <b>Accumulated<br/>losses<br/>\$</b> | <b>Total<br/>deficiency in<br/>equity<br/>\$</b> |
|--|----------------------------------|------------------------|--------------------------------------|--|
| Balance at 1 July 2022                                       | 28,064,477                       | 6,910,841              | (24,618,382)                         | 10,356,936                                       |
| Loss after income tax expense for the year                   | -                                | -                      | (14,684,760)                         | (14,684,760)                                     |
| Other comprehensive income for the year, net of tax          | -                                | 59,967                 | -                                    | 59,967   |
| Total comprehensive income/(loss) for the year               | -                                | 59,967                 | (14,684,760)                         | (14,624,793)                                     |
| <i>Transactions with owners in their capacity as owners:</i> |                                  |                        |                                      |  |
| Shares issued  | 2,777,308                        | -                      | -                                    | 2,777,308  |
| Conversion of rights to shares                               | 319,632                          | (319,632)              | -                                    | -  |
| Cost of share issued   | (139,159)                        | -                      | -                                    | (139,159)  |
| Transfer of vested expired options to share capital          | 6,290,131                        | (6,290,131)            | -                                    | -  |
| Options issued   | -                                | 21,357                 | -                                    | 21,357   |
| Exercise warrants to equity                                  | 580,114                          | -                      | -                                    | 580,114  |
| Employee rights expense                                      | -                                | (79,236)               | -                                    | (79,236)   |
| Balance at 30 June 2023                                      | <u>37,892,503</u>                | <u>303,166</u>         | <u>(39,303,142)</u>                  | <u>(1,107,473)</u>                               |

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

**Spacetalk Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2023**

|  | <b>Note</b> | <b>2023</b><br><b>\$</b> | <b>2022</b><br><b>\$</b> |
|--|-------------|--------------------------|--------------------------|
| <b>Cash flows from operating activities</b>                      |             |                          |                          |
| Receipts from customers  |             | 17,848,747               | 21,188,990               |
| Payments to suppliers and employees                              |             | (20,610,113)             | (27,480,011)             |
| Interest and other costs of finance                              |             | (693,647)                | (114,641)                |
| Tax receipts   |             | -                        | 837,145                  |
| Net cash used in operating activities                            |             | <u>(3,455,013)</u>       | <u>(5,568,517)</u>       |
| <b>Cash flows from investing activities</b>                      |             |                          |                          |
| Payments for property, plant and equipment                       | 13          | (7,081)                  | (56,206)                 |
| Payment for research and development                             |             | <u>(1,660,899)</u>       | <u>(3,288,913)</u>       |
| Net cash used in investing activities                            |             | <u>(1,667,980)</u>       | <u>(3,345,119)</u>       |
| <b>Cash flows from financing activities</b>                      |             |                          |                          |
| Proceeds from issue of shares                                    | 22          | 2,777,309                | 9,497,018                |
| Costs associated with issue of shares                            |             | (117,802)                | (328,280)                |
| Repayment of convertible notes                                   |             | -                        | (404,493)                |
| Proceeds from borrowings   |             | -                        | 2,000,000                |
| Repayment of lease liabilities                                   |             | <u>(164,375)</u>         | <u>(183,539)</u>         |
| Net cash from financing activities                               |             | <u>2,495,132</u>         | <u>10,580,706</u>        |
| Net (decrease)/ increase in cash and cash equivalents            |             | (2,627,861)              | 1,667,070                |
| Cash and cash equivalents at the beginning of the financial year |             | 5,577,088                | 4,185,033                |
| Effects of exchange rate changes on cash and cash equivalents    |             | <u>76,938</u>            | <u>(275,015)</u>         |
| Cash and cash equivalents at the end of the financial year       | 8           | <u><u>3,026,165</u></u>  | <u><u>5,577,088</u></u>  |

\* The Group has elected to present a statement of cash flows that analyses all cash flows in total – i.e., including both continuing and discontinued operations. Refer to note 6 for details on cash flows from discontinued operations.

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

**Note 1. Significant accounting policies**

**STATEMENT OF COMPLIANCE**

The Appendix 4E preliminary final report has been prepared in accordance with ASX listing rules and the recognition and measurement criteria of Accounting Standards and interpretations. Accounting Standards include Australian equivalents to International Financial Reporting Standards.

**BASIS OF PREPARATION**

The Appendix 4E has been prepared on the basis of historical cost. The accounting policies and methods of computation adopted in the preparation of the Appendix 4E are consistent with those adopted and disclosed in the Group's 30 June 2022 annual financial report.

**GOING CONCERN**

The Company's financial statements are prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of obligations in the normal course of business. The Directors believe that sufficient funds will be raised in the ongoing capital raise to ensure that the Company has adequate resources to meet its obligations in the foreseeable future.

**Note 2. Restatement of comparatives**

**CORRECTION OF A MATERIAL ERROR IN INCOME TAX EXPENSE**

During the review of tax balances for the half year ended 31 December 2022, it was discovered that in 2021-22 a journal to income tax expense was incorrectly posted. This had resulted in an overstatement of the income tax benefit, and an understatement of foreign currency translation reserve of \$411,963. Management have restated the comparatives and the following adjustment has been recorded:

- a decrease to income tax benefit and an increase to foreign currency translation reserve at 30 June 2022, representing the incorrectly recognised income tax benefit of \$411,963;

**CORRECTION OF A MATERIAL ERROR IN DEFERRED TAX ASSET**

During the review of the deferred tax asset for the half year ended 31 December 2022, it was discovered that an error occurred in recognising the deferred tax asset balance of \$1,100,272 at 30 June 2022. Having reviewed the probability of future taxable profits the Directors believe that the deferred tax asset should not have been recognised as at 30 June 2022 because it was not probable that there would be sufficient taxable profits to utilise the benefit based on forecasts available at that time. Management have restated the comparatives and the following adjustments have been recorded:

- a decrease to the deferred tax asset and an increase to the accumulated loss at 30 June 2022, representing the derecognised deferred tax asset of \$1,100,272.

**CORRECTION OF A MATERIAL ERROR IN THE ACCOUNTING TREATMENT OF SCHOOL LICENCE FEES**

During the year ended 30 June 2023, management discovered that the revenue recognition of school licence fees was not in accordance with AASB 15 Revenue from Contracts with Customers. Revenue was recognised when the invoice was issued and not as the performance obligations were satisfied over time. This resulted in an overstatement of revenue of \$48,236 in 2021-22 and \$660,973 in previous periods. Management have restated the comparatives and the following adjustments have been recorded:

- decrease revenue by \$48,236 at 30 June 2022, representing the overstated school licence fees;
- increase unearned income by \$709,209 at 30 June 2022, representing the unearned income of school licence fees;
- increase accumulated loss by \$660,973 at 30 June 2022, representing the reversed revenue recognised in previous periods.

**Note 2. Restatement of comparatives (continued)**

**CORRECTION OF A MATERIAL ERROR IN THE ACCOUNTING TREATMENT OF SALES RETURNS**

During the review of Spacetalk wearable devices sales returns for the half year ended 31 December 2022, it was discovered that in 1Q2023 Returns received post 30 June 2022 were not provided for in the FY22 accounts. The company did not account for returns in accordance with AASB 15 Revenue from Contracts with Customers as at 30 June 2022. This resulted in an overstatement of revenue of \$326,887 and cost of sales of \$178,382 in 2021-22. Management have restated the comparatives and the following adjustments have been recorded:

- decrease revenue and increase provision for sales returns by \$326,887 at 30 June 2022, representing the unrecognised sales return of wearable devices; and
- decrease cost of sales and increase inventories by \$178,382 at 30 June 2022, representing the cost of returned wearable devices.

**CORRECTION OF A MATERIAL ERROR IN THE ACCOUNTING TREATMENT OF SALES REBATES**

During the review of Spacetalk wearable devices sales rebates for the half year ended 31 December 2022, it was discovered that there was a backlog of rebate invoices relating to 2Q2022 which are under contractual terms in customer agreements, and had not been provided for. This had resulted in an overstatement of revenue of \$170,224 in the year ended 30 June 2022. Management have restated the comparatives and the following adjustments have been recorded:

- decrease revenue and increase provision for rebates by \$170,224 at 30 June 2022, representing the unrecognised sales rebates.

**DISCONTINUED OPERATIONS**

Prior year comparatives have been reclassified where applicable, for the disclosure of discontinued operations. These adjustments have been separately disclosed below. Refer to note 6 for further details.

**COMPARATIVES**

Certain of the "Reported" balances have been reclassified where necessary, to align with current year presentation. There was no effect on the consolidated profit or the consolidated net assets of the Group as a result of these reclassifications.

**Spacetalk Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 2. Restatement of comparatives (continued)**

*Statement of profit or loss and other comprehensive income*

| <b>Extract</b>  | <b>2022<br/>\$</b> | <b>2022<br/>\$</b>                                | <b>2022<br/>\$</b>   | <b>2022<br/>\$</b> |
|---|--------------------|---|--|--------------------|
|   | <b>Reported</b>    | <b>Adjustments<br/>: Correction<br/>of errors</b> | <b>Adjustments<br/>: Discontinued<br/>operations<sup>1</sup></b> | <b>Restated</b>    |
| <b>Revenue from continuing operations</b>   |                    |   |  |                    |
| Revenue   | 20,704,012         | (545,348)   | (5,279,929)  | 14,878,735         |
| Cost of sales   | (9,197,561)        | 178,382   | 2,851,218  | (6,167,961)        |
| <b>Expenses from continuing operations</b>  |                    |   |  |                    |
| Allowance for expected credit loss  | (69,171)           | -   | -  | (69,171)           |
| Employee benefits expense   | (8,169,758)        | -   | 1,767,274  | (6,402,484)        |
| Depreciation and amortisation expense   | (3,686,445)        | -   | -  | (3,686,445)        |
| Fair value gain on fair value of derivatives  | 544,231            | -   | -  | 544,231            |
| Advertising and marketing   | (2,041,968)        | -   | 885,295  | (1,156,673)        |
| Corporate and administration  | (3,940,094)        | -   | 1,400,254  | (2,539,840)        |
| Loss on foreign exchange  | (161,161)          | -   | 149,312  | (11,849)           |
| Interest expense  | (1,092,011)        | -   | -  | (1,092,011)        |
|   | (18,616,377)       | -   | 4,202,135  | (14,414,242)       |
| <b>Loss before income tax (expense)/benefit from continuing operations</b>                                  | <b>(7,109,926)</b> | <b>(366,966)</b>                                  | <b>1,773,424</b>   | <b>(5,703,468)</b> |
| Income tax (expense)/benefit  | 809,016            | (1,512,235)                                       | 82,809   | (620,410)          |
| Loss after income tax (expense)/benefit from continuing operations  | (6,300,910)        | (1,879,200)                                       | 1,856,232  | (6,323,878)        |
| Loss after income tax (expense)/benefit from discontinued operations  | -                  | -   | (1,856,232)  | (1,856,232)        |
| <b>Loss after income tax (expense)/benefit for the year attributable to the owners of Spacetalk Limited</b> | <b>(6,300,910)</b> | <b>(1,879,200)</b>                                | <b>-</b>   | <b>(8,180,110)</b> |
| Foreign currency translation  | (275,015)          | 411,963   | -  | 136,948            |
| Other comprehensive income/(loss) for the year, net of tax  | (275,015)          | 411,963   | -  | 136,948            |
| <b>Total comprehensive loss for the year attributable to the owners of Spacetalk Limited</b>                | <b>(6,575,925)</b> | <b>(1,467,237)</b>                                | <b>-</b>   | <b>(8,043,162)</b> |
| Total comprehensive loss for the year is attributable to:   |                    |   |  |                    |
| Continuing operations   | (6,575,925)        | (1,467,237)                                       | 1,856,232  | (6,186,930)        |
| Discontinued operations   | -                  | -   | (1,856,232)  | (1,856,232)        |
|   | <b>(6,575,925)</b> | <b>(1,467,237)</b>                                | <b>-</b>   | <b>(8,043,162)</b> |

1. Adjustments for discontinued operations are presented after adjusting for the following errors relating to the discontinued operations: \$170,224 overstatement of revenue and \$411,963 understatement of income tax expense.

**Spacetalk Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 2. Restatement of comparatives (continued)**

|   | <b>Cents<br/>Reported</b> | <b>Cents<br/>Adjustment</b> | <b>Cents<br/>Restated</b> |
|---|---------------------------|-----------------------------|---------------------------|
| <b>Earnings per share for loss from continuing operations attributable to the owners of Spacetalk Limited</b>   |                           |                             |                           |
| Basic earnings per share  | -                         | (3.64)                      | (3.64)                    |
| Diluted earnings per share  | -                         | (3.48)                      | (3.48)                    |
| <b>Earnings per share for loss from discontinued operations attributable to the owners of Spacetalk Limited</b> |                           |                             |                           |
| Basic earnings per share  | -                         | (1.07)                      | (1.07)                    |
| Diluted earnings per share  | -                         | (1.02)                      | (1.02)                    |
| <b>Earnings per share for loss attributable to the owners of Spacetalk Limited</b>                              |                           |                             |                           |
| Basic earnings per share  | (3.66)                    | (1.05)                      | (4.71)                    |
| Diluted earnings per share  | (3.50)                    | (1.00)                      | (4.50)                    |

*Statement of financial position at the beginning of the earliest comparative period*

|                            | <b>\$<br/>Reported</b> | <b>1 July 2021<br/>\$<br/>Adjustment</b> | <b>\$<br/>Restated</b> |
|----------------------------|------------------------|--|------------------------|
| <b>Extract</b>             |                        |  |                        |
| <b>Liabilities</b>         |                        |  |                        |
| <b>Current liabilities</b> |                        |  |                        |
| Contract liabilities       | -                      | 660,973                                  | 660,973                |
| Total current liabilities  | <u>2,597,760</u>       | <u>660,973</u>                           | <u>3,258,733</u>       |
| <b>Total liabilities</b>   | <u>6,655,961</u>       | <u>660,973</u>                           | <u>7,316,934</u>       |
| <b>Net assets</b>          | <u>9,351,545</u>       | <u>(660,973)</u>                         | <u>8,690,572</u>       |
| <b>Equity</b>              |                        |  |                        |
| Accumulated losses         | <u>(15,777,299)</u>    | <u>(660,973)</u>                         | <u>(16,438,272)</u>    |
| <b>Total equity</b>        | <u>9,351,545</u>       | <u>(660,973)</u>                         | <u>8,690,572</u>       |

**Spacetalk Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 2. Restatement of comparatives (continued)**

*Statement of financial position at the end of the earliest comparative period*

| <b>Extract</b>              | <b>\$<br/>Reported</b> | <b>2022<br/>\$<br/>Adjustment</b> | <b>\$<br/>Restated</b> |
|-----------------------------|------------------------|-----------------------------------|------------------------|
| <b>Assets</b>               |                        |                                   |                        |
| <b>Current assets</b>       |                        |                                   |                        |
| Trade and other receivables | 3,590,951              | 203,046                           | 3,793,997              |
| Inventories                 | 7,062,398              | 178,383                           | 7,240,781              |
| Total current assets        | 16,991,848             | 381,429                           | 17,373,277             |
| <b>Non-current assets</b>   |                        |                                   |                        |
| Deferred tax                | 1,100,272              | (1,100,272)                       | -                      |
| Total non-current assets    | 5,195,092              | (1,100,272)                       | 4,094,820              |
| <b>Total assets</b>         | 22,186,940             | (718,843)                         | 21,468,097             |
| <b>Liabilities</b>          |                        |                                   |                        |
| <b>Current liabilities</b>  |                        |                                   |                        |
| Trade and other payables    | 3,976,901              | (259,873)                         | 3,717,028              |
| Contract liabilities        | -                      | 709,209                           | 709,209                |
| Provisions                  | 581,001                | 960,031                           | 1,541,032              |
| Total current liabilities   | 7,835,236              | 1,409,367                         | 9,244,603              |
| <b>Total liabilities</b>    | 9,701,794              | 1,409,367                         | 11,111,161             |
| <b>Net assets</b>           | 12,485,146             | (2,128,210)                       | 10,356,936             |
| <b>Equity</b>               |                        |                                   |                        |
| Reserves                    | 6,498,878              | 411,963                           | 6,910,841              |
| Accumulated losses          | (22,078,209)           | (2,540,173)                       | (24,618,382)           |
| <b>Total equity</b>         | 12,485,146             | (2,128,210)                       | 10,356,936             |

**Note 3. Revenue**

The following is an analysis of the Group's revenue from continuing operations:

|  | <b>2023<br/>\$</b> | <b>2022<br/>\$</b> |
|--|--------------------|--------------------|
| Device sales                           | 6,082,372          | 9,054,921          |
| App subscriptions revenue              | 3,812,515          | 3,379,634          |
| Schools revenue                        | 2,096,715          | 2,392,547          |
| Sundry income                          | 69,057             | 46,030             |
| Other income <sup>1</sup>              | -                  | 2,903              |
| Grants received                        | 32,945             | 2,700              |
| Mobile virtual network operator income | 1,361,879          | -                  |
|  | <b>13,455,483</b>  | <b>14,878,735</b>  |

1. Other income related to repairs and shipping charges.

**Spacetalk Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 4. Expenses**

|   | <b>2023</b> | <b>2022</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| Loss before income tax from continuing operations includes the following specific expenses: |             |             |
| <i>Cost of sales</i>  |             |             |
| Cost of sales   | 6,621,702   | 6,167,961   |
| <i>Depreciation</i>   |             |             |
| Leasehold improvements  | 3,996       | 8,045       |
| Plant and equipment   | 24,251      | 32,100      |
| Buildings right-of-use assets   | 155,393     | 184,964     |
| Total depreciation  | 183,640     | 225,109     |
| <i>Amortisation</i>   |             |             |
| Distribution rights   | 12,421      | 44,100      |
| Capitalised development costs   | 1,586,690   | 3,417,236   |
| Total amortisation  | 1,599,111   | 3,461,336   |
| Total depreciation and amortisation   | 1,782,751   | 3,686,445   |
| <i>Impairment</i>   |             |             |
| Property, plant and equipment   | 85,626      | -           |
| Intangible assets   | 2,245,682   | -           |
| Inventory   | 899,107     | -           |
| Total impairment  | 3,230,415   | -           |
| <i>Leases</i>   |             |             |
| Short-term lease payments   | 29,430      | 86,310      |
| <i>Superannuation expense</i>   |             |             |
| Defined contribution superannuation expense   | 498,955     | 593,078     |
| <i>Share-based payments expense</i>   |             |             |
| Share-based payments expense  | (79,236)    | 540,788     |



**Spacetalk Limited**  
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**Note 5. Income tax**

|  | <b>2023</b>         | <b>2022</b>        |
|--|---------------------|--------------------|
|  | <b>\$</b>           | <b>\$</b>          |
| <i>Income tax expense</i>  |                     |                    |
| Current tax expense  | (80,712)            | (278,758)          |
| Deferred tax - origination and reversal of temporary differences                               | -                   | 655,678            |
| Research and development tax offset  | 249,976             | (249,976)          |
| Adjustment recognised in the current year in relation to the current tax of prior years        | -                   | 576,275            |
|  | <u>169,264</u>      | <u>703,219</u>     |
| Aggregate income tax expense   |                     |                    |
| Income tax expense is attributable to:   |                     |                    |
| Loss from continuing operations  | 249,976             | 620,410            |
| Loss from discontinued operations  | (80,712)            | 82,809             |
|  | <u>169,264</u>      | <u>703,219</u>     |
| Aggregate income tax expense   |                     |                    |
| Deferred tax included in income tax expense comprises:   |                     |                    |
| Decrease in deferred tax assets  | -                   | 831,943            |
| Decrease in deferred tax liabilities   | -                   | (176,265)          |
|  | <u>-</u>            | <u>655,678</u>     |
| Deferred tax - origination and reversal of temporary differences                               | -                   | 655,678            |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>            |                     |                    |
| Loss before income tax expense from continuing operations                                      | (10,814,190)        | (5,703,468)        |
| Loss before income tax (expense)/benefit from discontinued operations                          | (3,701,306)         | (1,773,423)        |
|  | <u>(14,515,496)</u> | <u>(7,476,891)</u> |
| Tax at the statutory tax rate of 25%   | (3,628,874)         | (1,869,223)        |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income:           |                     |                    |
| Research and development tax offset  | 249,976             | 106,297            |
| Tax losses not recognised  | 3,628,874           | 1,100,272          |
| (Over)/under provision of prior year income tax  | (80,712)            | 411,963            |
| Other  | -                   | 12,942             |
|  | <u>169,264</u>      | <u>(237,749)</u>   |
| Adjustments recognised in the current year in relation to the current tax of prior year        | -                   | 105,299            |
| Adjustments recognised in the current year in relation to the deferred tax loss not recognised | -                   | 835,669            |
|  | <u>169,264</u>      | <u>703,219</u>     |
| Income tax expense   |                     |                    |

**Note 6. Discontinued operations**

*Description*

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

Financial information related to the discontinued operations is disclosed below.

**Spacetalk Limited**  
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**Note 6. Discontinued operations (continued)**

*Financial performance information*

|  | <b>2023</b>               | <b>2022</b>               |
|--|---------------------------|---------------------------|
|  | <b>\$</b>                 | <b>\$</b>                 |
| Device sales   | 2,038,244                 | 5,261,457                 |
| Grants received  | 40,000                    | -                         |
| Sundry income  | 467                       | 18,472                    |
| Total revenue  | <u>2,078,711</u>          | <u>5,279,929</u>          |
| Cost of sales  | 1,391,365                 | 2,851,218                 |
| Loss on disposal of assets   | 10,658                    | -                         |
| Corporate and administration expenses                                | 925,647                   | 1,400,254                 |
| Advertising & Marketing  | 789,994                   | 885,295                   |
| Employee expenses  | 1,541,137                 | 1,767,274                 |
| FX (gain)/loss   | (10,944)                  | 149,311                   |
| Impairment of inventory  | 1,132,160                 | -                         |
| Total expenses   | <u>5,780,017</u>          | <u>7,053,352</u>          |
| Loss before income tax (expense)/benefit                             | (3,701,306)               | (1,773,423)               |
| Income tax (expense)/benefit   | <u>80,712</u>             | <u>(82,809)</u>           |
| Loss after income tax (expense)/benefit from discontinued operations | <u><u>(3,620,594)</u></u> | <u><u>(1,856,232)</u></u> |

*Cash flow information*

|  | <b>2023</b>           | <b>2022</b>           |
|--|-----------------------|-----------------------|
|  | <b>\$</b>             | <b>\$</b>             |
| Net cash used in operating activities                                  | (246,110)             | (1,320,080)           |
| Net cash used in investing activities                                  | -                     | (10,232)              |
| Net cash from financing activities                                     | <u>694,036</u>        | <u>1,730,408</u>      |
| Net increase in cash and cash equivalents from discontinued operations | <u><u>447,926</u></u> | <u><u>400,096</u></u> |

**Note 7. Earnings per share**

|   | <b>2023</b>               | <b>2022</b>               |
|---|---------------------------|---------------------------|
|   | <b>\$</b>                 | <b>\$</b>                 |
| <i>Earnings per share for loss from continuing operations</i>                             |                           |                           |
| Loss after income tax attributable to the owners of Spacetalk Limited                     | <u>(11,064,166)</u>       | <u>(6,323,878)</u>        |
|   | <b>Number</b>             | <b>Number</b>             |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | 257,940,241               | 173,717,946               |
| Adjustments for calculation of diluted earnings per share:                                |                           |                           |
| Options over ordinary shares  | <u>-</u>                  | <u>8,048,000</u>          |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u><u>257,940,241</u></u> | <u><u>181,765,946</u></u> |

Prior year weighted average number of shares has been restated for 1,496,564 bonus shares from the rights issue completed during the year.

**Note 7. Earnings per share (continued)**

|                            | <b>Cents</b> | <b>Cents</b> |
|----------------------------|--------------|--------------|
| Basic earnings per share   | (4.29)       | (3.64)       |
| Diluted earnings per share | (4.29)       | (3.48)       |
|                            | <b>2023</b>  | <b>2022</b>  |
|                            | <b>\$</b>    | <b>\$</b>    |

*Earnings per share for loss from discontinued operations*

|   |                    |                    |
|---|--------------------|--------------------|
| Loss after income tax attributable to the owners of Spacetalk Limited | <u>(3,620,594)</u> | <u>(1,856,232)</u> |
|---|--------------------|--------------------|

|   | <b>Number</b>      | <b>Number</b>      |
|---|--------------------|--------------------|
| Weighted average number of ordinary shares used in calculating basic earnings per share   | 257,940,241        | 173,717,946        |
| Adjustments for calculation of diluted earnings per share:                                |                    |                    |
| Options over ordinary shares  | -                  | 8,048,000          |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>257,940,241</u> | <u>181,765,946</u> |

Prior year weighted average number of shares has been restated for 1,496,564 bonus shares from the rights issue completed during the year.

|                            | <b>Cents</b> | <b>Cents</b> |
|----------------------------|--------------|--------------|
| Basic earnings per share   | (1.40)       | (1.07)       |
| Diluted earnings per share | (1.40)       | (1.02)       |
|                            | <b>2023</b>  | <b>2022</b>  |
|                            | <b>\$</b>    | <b>\$</b>    |

*Earnings per share for loss*

|   |                     |                    |
|---|---------------------|--------------------|
| Loss after income tax attributable to the owners of Spacetalk Limited | <u>(14,684,760)</u> | <u>(8,180,110)</u> |
|---|---------------------|--------------------|

|   | <b>Number</b>      | <b>Number</b>      |
|---|--------------------|--------------------|
| Weighted average number of ordinary shares used in calculating basic earnings per share   | 257,940,241        | 173,717,946        |
| Adjustments for calculation of diluted earnings per share:                                |                    |                    |
| Options over ordinary shares  | -                  | 8,048,000          |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>257,940,241</u> | <u>181,765,946</u> |

Prior year weighted average number of shares has been restated for 1,496,564 bonus shares from the rights issue completed during the year.

|                            | <b>Cents</b> | <b>Cents</b> |
|----------------------------|--------------|--------------|
| Basic earnings per share   | (5.69)       | (4.71)       |
| Diluted earnings per share | (5.69)       | (4.50)       |

Performance rights granted to employees under the Company's incentive are considered to be potential ordinary shares. They have not been included in the determination of diluted earnings per share as the required non hurdles are unlikely to be met based on the Company's performance up to the reporting date. The performance rights have also not been included in the determination of earnings per share.

**Note 8. Cash and cash equivalents**

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

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

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

|                        | <b>2023</b>      | <b>2022</b>      |
|------------------------|------------------|------------------|
|                        | <b>\$</b>        | <b>\$</b>        |
| Cash and bank balances | <u>3,026,165</u> | <u>5,577,088</u> |

**Note 9. Trade and other receivables**

|  | <b>2023</b>             | <b>2022</b>             |
|--|-------------------------|-------------------------|
|  | <b>\$</b>               | <b>\$</b>               |
| Trade receivables                          | 2,767,091               | 3,861,249               |
| Less: Allowance for expected credit losses | <u>(11,000)</u>         | <u>(67,252)</u>         |
|  | <u>2,756,091</u>        | <u>3,793,997</u>        |
| Other receivables                          | <u>72,659</u>           | <u>-</u>                |
|  | <u><u>2,828,750</u></u> | <u><u>3,793,997</u></u> |

**Note 10. Inventories**

|                | <b>2023</b>      | <b>2022</b>      |
|----------------|------------------|------------------|
|                | <b>\$</b>        | <b>\$</b>        |
| Finished goods | <u>2,592,650</u> | <u>7,240,781</u> |

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$5,009,114 (2022: \$5,209,112). The key assumptions, which require the use of management judgement, are the variables affecting costs recognised in bringing the inventory to their location and condition for sale, estimated costs to sell and the expected selling price. These key assumptions are reviewed at least annually.

The Company fully impaired the realisable value of inventory and recognised the following impairments:

- Write down of the US inventory of \$1,067,952 due to the exit of the market. Inventory amounting to \$64,208 was written off in the UK.
- Fully impaired the value of the Life Watch, which is a slow-moving item with few sales achieved over the last few years. The value written off was \$821,022. A further write down of \$78,085 for the Kids watch was made after it was discontinued.

**Note 11. Other current assets**

|                   | <b>2023</b>           | <b>2022</b>           |
|-------------------|-----------------------|-----------------------|
|                   | <b>\$</b>             | <b>\$</b>             |
| R&D tax incentive | -                     | 249,976               |
| Prepayments       | <u>517,363</u>        | <u>511,435</u>        |
|                   | <u><u>517,363</u></u> | <u><u>761,411</u></u> |

**Spacetalk Limited**  
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**Note 12. Interests in subsidiaries**

Information about the composition of the Group at the end of the reporting period is as follows:

| Unlisted controlled entity                 | Date of acquisition or incorporation | County of incorporation | Class of shares | Cost of Parent Entity's Investment |                  |
|--|--------------------------------------|-------------------------|-----------------|------------------------------------|------------------|
|  |                                      |                         |                 | 30/06/2023<br>\$                   | 30/06/2022<br>\$ |
| MGM Wireless Holdings Pty Ltd <sup>1</sup> | 08/10/2003                           | Australia               | Ordinary        | 767,000                            | 767,000          |
| Message You LLC <sup>1</sup>               | 11/09/2006                           | USA                     | Ordinary        | 124,440                            | 124,440          |
| MGM Wireless (NZ) Pty Ltd                  | 18/05/2010                           | Australia               | Ordinary        | 80                                 | 80               |
| Spacetalkwatch UK Ltd                      | 25/02/2019                           | United Kingdom          | Ordinary        | 186                                | 186              |
| Spacetalk Holdings Pty Ltd                 | 29/06/2015                           | Australia               | Ordinary        | 1                                  | 1                |
| Spacetalk USA Pty Ltd                      | 29/06/2015                           | Australia               | Ordinary        | 100                                | 100              |
| Spacetalk LLC                              | 29/04/2021                           | USA                     | Ordinary        | 1,340                              | 1,340            |
| Spacetalk Inc                              | 29/04/2021                           | USA                     | Ordinary        | 1,340                              | 1,340            |
|  |                                      |                         |                 | <u>894,487</u>                     | <u>894,487</u>   |

1. Balance fully impaired in parent entity at 30 June 2023.

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

**Note 13. Property, plant and equipment**

|                                  | 2023<br>\$     | 2022<br>\$     |
|----------------------------------|----------------|----------------|
| Leasehold improvements - at cost | 9,215          | 217,601        |
| Less: Accumulated depreciation   | (3,985)        | (143,740)      |
|                                  | <u>5,230</u>   | <u>73,861</u>  |
| Plant and equipment - at cost    | 183,772        | 518,789        |
| Less: Accumulated depreciation   | (86,854)       | (370,679)      |
|                                  | <u>96,918</u>  | <u>148,110</u> |
|                                  | <u>102,148</u> | <u>221,971</u> |

**Reconciliations**

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

|                         | Plant and equipment<br>\$ | Leasehold improvements<br>\$ | Total<br>\$    |
|-------------------------|---------------------------|------------------------------|----------------|
| Balance at 30 June 2021 | 128,263                   | 77,648                       | 205,911        |
| Additions               | 51,947                    | 4,258                        | 56,205         |
| Depreciation expense    | (32,100)                  | (8,045)                      | (40,145)       |
| Balance at 30 June 2022 | 148,110                   | 73,861                       | 221,971        |
| Additions               | 7,081                     | -                            | 7,081          |
| Impairment of assets    | (34,022)                  | (64,635)                     | (98,657)       |
| Depreciation expense    | (24,251)                  | (3,996)                      | (28,247)       |
| Balance at 30 June 2023 | <u>96,918</u>             | <u>5,230</u>                 | <u>102,148</u> |

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**Note 14. Right-of-use assets**

|                                | <b>2023</b>           | <b>2022</b>           |
|--------------------------------|-----------------------|-----------------------|
|                                | <b>\$</b>             | <b>\$</b>             |
| Building                       | 726,562               | 691,379               |
| Less: Accumulated depreciation | <u>(403,678)</u>      | <u>(587,327)</u>      |
|                                | <u>322,884</u>        | <u>104,052</u>        |
| Motor vehicles                 | 33,176                | 33,176                |
| Less: Accumulated depreciation | <u>(33,176)</u>       | <u>(33,176)</u>       |
|                                | <u>-</u>              | <u>-</u>              |
|                                | <u><u>322,884</u></u> | <u><u>104,052</u></u> |

*Reconciliations*

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

|                         | Building<br>\$        |
|-------------------------|-----------------------|
| Balance at 1 July 2021  | 289,016               |
| Depreciation expense    | <u>(184,964)</u>      |
| Balance at 30 June 2022 | 104,052               |
| Additions               | 374,225               |
| Depreciation expense    | <u>(155,393)</u>      |
| Balance at 30 June 2023 | <u><u>322,884</u></u> |

**Note 15. Intangibles**

|   | <b>2023</b>             | <b>2022</b>             |
|---|-------------------------|-------------------------|
|   | <b>\$</b>               | <b>\$</b>               |
| Capitalised Development Costs                 | 22,460,737              | 20,799,837              |
| Less: Accumulated amortisation and impairment | <u>(20,875,834)</u>     | <u>(17,075,150)</u>     |
|   | <u>1,584,903</u>        | <u>3,724,687</u>        |
| Distribution Rights                           | 441,017                 | 441,017                 |
| Less: Accumulated amortisation and impairment | <u>(441,017)</u>        | <u>(396,907)</u>        |
|   | <u>-</u>                | <u>44,110</u>           |
|   | <u><u>1,584,903</u></u> | <u><u>3,768,797</u></u> |

**Spacetalk Limited**  
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**Note 15. Intangibles (continued)**

*Reconciliations*

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

|                         | <b>Distribution<br/>Rights<br/>\$</b> | <b>Capitalised<br/>Development<br/>Costs<br/>\$</b> | <b>Total<br/>\$</b> |
|-------------------------|---------------------------------------|---|---------------------|
| Balance at 30 June 2021 | 88,210                                | 3,853,010   | 3,941,220           |
| Additions               | -                                     | 3,288,913   | 3,288,913           |
| Amortisation expense    | (44,100)                              | (3,417,236)   | (3,461,336)         |
| Balance at 30 June 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           |

The Company undertook an assessment of the recoverability of its intangible assets during the year. As a result of this assessment the Company has decided to impair the carrying value of intangible assets by \$2.2m. This impairment is to previously capitalised product and project developments costs that have either been discontinued or are deemed to have no future benefit.

**Note 16. Trade and other payables**

|                        | <b>2023<br/>\$</b> | <b>2022<br/>\$</b> |
|------------------------|--------------------|--------------------|
| Trade payables         | 2,245,616          | 3,451,512          |
| Indirect tax liability | -                  | 229,297            |
| Accrued SMS charges    | 34,880             | 36,219             |
|                        | <u>2,280,496</u>   | <u>3,717,028</u>   |

**Note 17. Contract liabilities**

|                 | <b>2023<br/>\$</b> | <b>2022<br/>\$</b> |
|-----------------|--------------------|--------------------|
| Unearned income | <u>1,409,440</u>   | <u>709,209</u>     |

*Reconciliation*

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

|   |                  |                |
|---|------------------|----------------|
| Opening balance                                       | 709,209          | 660,973        |
| Payments received in advance                          | 3,562,576        | 938,945        |
| Transfer to revenue - included in the opening balance | (709,209)        | (660,973)      |
| Transfer to revenue - other balances                  | (2,153,136)      | (229,736)      |
| Closing balance                                       | <u>1,409,440</u> | <u>709,209</u> |

**Spacetalk Limited**  
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**Note 18. Provisions**

|                                     | <b>2023</b>      | <b>2022</b>      |
|-------------------------------------|------------------|------------------|
|                                     | <b>\$</b>        | <b>\$</b>        |
| Provision for employee entitlements | 258,572          | 581,001          |
| Provision for warranty              | 848,969          | 960,031          |
| Provision for sales rebate          | 503,007          | -                |
| Provision for sales return          | 259,589          | -                |
| Provision for sales discount        | 240,505          | -                |
|                                     | <u>2,110,642</u> | <u>1,541,032</u> |

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

The provision for warranty represents the estimation of the warranty claims expected to be materialised.

The provision for sales rebate, return and discount represents the sales rebate, return and discount accrued.

**Note 19. Lease liabilities**

|                       | <b>2023</b>    | <b>2022</b>    |
|-----------------------|----------------|----------------|
|                       | <b>\$</b>      | <b>\$</b>      |
| <b>Current</b>        |                |                |
| Lease liability       | <u>98,949</u>  | <u>109,304</u> |
| <b>Non-current</b>    |                |                |
| Lease liability       | <u>228,372</u> | <u>-</u>       |
| Total lease liability | <u>327,321</u> | <u>109,304</u> |

**Note 20. Borrowings**

|                               | <b>2023</b>      | <b>2022</b>        |
|-------------------------------|------------------|--------------------|
|                               | <b>\$</b>        | <b>\$</b>          |
| <b>Current</b>                |                  |                    |
| Term loan                     | -                | 5,000,000          |
| Unamortised transaction costs | <u>-</u>         | <u>(1,922,317)</u> |
|                               | <u>-</u>         | <u>3,077,683</u>   |
| <b>Non-current</b>            |                  |                    |
| Term loan                     | <u>5,000,000</u> | <u>-</u>           |
|                               | <u>5,000,000</u> | <u>-</u>           |

In November 2022, the Company restructured its facility agreement with Pure Asset Management Pty Ltd (Pure AM) to extend the repayment dates of the facility to 1 July 2024 and 20 March 2025 for the \$3 million and \$2 million facilities. As part of this restructure, Spacetalk has agreed to pay an establishment fee of 1.5% of the total facility and issue of an additional 90 million warrants. The restructure resulted in a substantial modification of the existing loan outstanding.

As a result of the modification, previous transaction costs remaining on the loan at the date of modification were accelerated to the profit and loss and the new establishment fee and issue of the additional warrants were also recognised to the profit loss as part of the costs relating to the debt restructure.

Costs relating to the debt restructure.



**Note 20. Borrowings (continued)**

\$

**Breakdown of costs**

|   |                         |
|---|-------------------------|
| Acceleration of unwound transaction costs | 1,925,999               |
| Establishment fee                         | 75,000                  |
| Issue of new Warrants                     | <u>1,375,276</u>        |
| Total debt restructuring costs            | <u><u>3,376,275</u></u> |

A new warrant liability was recognised at its fair value of \$1,375,276 on 21 November 2022, based on a Black Scholes valuation model.

Assumptions applied were as follows:

| Valuation date   | Share price at 21 November 2022 | Exercise price | Expected volatility | Warrant life remaining | Fair value per warrant at valuation date | Number of warrants on issue | Total fair value of warrants \$ |
|------------------|---------------------------------|----------------|---------------------|------------------------|--|-----------------------------|---------------------------------|
| 21 November 2022 | \$0.037                         | \$0.06         | 92%                 | 2.3 years              | \$0.0153                                 | 90,000,000                  | 1,375,276                       |

The derivative financial liability has been valued using quoted market rates (level 2 input). This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

During the year, there was a gain on fair value of derivatives of \$1,714,052 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 related to the restructured debt facility with Pure Asset Management ("Pure"). This amount consisted of \$1,285,382 related to the existing warrant to Pure for 11 million shares together with \$428,670 related to derivative liability for the warrant of 90 million shares as part of the restructured debt facility approved on 15 February 2023.

In addition, the restructured secured term loan facility have 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**

- Pre 30 June 2023

- The Borrower must maintain a cash balance exceeding \$1,250,000 at all times.
- The Borrower must maintain a balance of \$750,000 in regards to the formula immediately below, tested monthly.

Cash – Trade Creditors + (MoM Inventory Change) / 2

For the avoidance of doubt, only monthly inventory increases will be added to the above calculation.

- Post 30 June 2023

- The Borrower must maintain a cash balance exceeding \$1,250,000 at all times.
- The Borrower and Lender to agree one operational covenant to be implemented post 30 June 2023.

There were no breaches of financial covenants at 30 June 2023.

**Note 21. Derivative liabilities**

|                     | <b>2023</b>    | <b>2022</b>      |
|---------------------|----------------|------------------|
|                     | <b>\$</b>      | <b>\$</b>        |
| <b>Current</b>      |                |                  |
| Warrant liabilities | 946,605        | -                |
| <b>Non-current</b>  |                |                  |
| Warrant liabilities | -              | 1,865,495        |
|                     | <u>946,605</u> | <u>1,865,495</u> |

As part of the loan facility disclosed in note 20, the Company has issued additional warrants to Pure AM that can be exercised for a total of 90 million fully paid-up shares. The warrants can be exercised at any point of time up to 13 March 2025. The warrant liabilities are measured at fair value through profit or loss and have an exercise price of \$0.06.

Key assumptions used in determining the fair value of the warrants at 30 June 2023:

| Valuation date | Share price<br>at 30 June<br>2023 | Exercise<br>price | Expected<br>volatility | Warrant life<br>remaining | Fair value per<br>warrant at<br>valuation date | Number of<br>warrants on<br>issue | Total fair<br>value<br>of warrants<br>\$ |
|----------------|-----------------------------------|-------------------|------------------------|---------------------------|--|-----------------------------------|--|
| 30 June 2023   | \$0.027                           | \$0.06            | 117%                   | 1.7 years                 | \$0.0105                                       | 90,000,000                        | <u>946,605</u>                           |

Existing warrants issued as part of the original loan facility with Pure AM could be exercised for a total of 11 million fully paid-up shares. The warrants could be exercised at any point of time up to 11 March 2025. During the period, the warrants exercise price was adjusted from \$0.2169 to \$0.034 resulting from the Company's November 2022 capital raising and share purchase plan, which triggered a repricing clause within the Warrant Deed.

On 6th February 2023, Pure AM exercised 11 million warrants. The fair value of the warrants on the date of exercise was \$0.0527 per warrant. On exercise of the warrant, the liability was extinguished and recognised in equity.

Key assumptions used in determining the fair value of the 11 million warrants at 6 February 2023:

| Valuation date  | Share price<br>at 6 February<br>2023 | Exercise<br>price | Expected<br>volatility<br>% | Warrant life<br>remaining | Fair value per<br>warrant at<br>valuation date | Number of<br>warrants on<br>issue | Total fair<br>value<br>of warrants<br>\$ |
|-----------------|--------------------------------------|-------------------|-----------------------------|---------------------------|--|-----------------------------------|--|
| 6 February 2023 | \$0.072                              | \$0.034           | 110%                        | 2.1 Years                 | \$0.0527                                       | 11,000,000                        | <u>580,114</u>                           |

**Note 22. Issued capital**

|                              | <b>2023</b>        | <b>2022</b>        | <b>2023</b>       | <b>2022</b>       |
|------------------------------|--------------------|--------------------|-------------------|-------------------|
|                              | <b>Shares</b>      | <b>Shares</b>      | <b>\$</b>         | <b>\$</b>         |
| Ordinary shares - fully paid | <u>311,242,939</u> | <u>216,355,749</u> | <u>37,892,503</u> | <u>28,064,477</u> |

**Spacetalk Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 22. Issued capital (continued)**

*Movements in ordinary share capital*

| Details   | Date         | Shares             | \$                |
|---|--------------|--------------------|-------------------|
| Balance   | 1 July 2021  | 165,381,445        | 18,686,099        |
| Exercise of performance rights                      |              | 7,879,040          | 1,497,018         |
| Capital raising                                     |              | 42,105,264         | 7,671,720         |
| Employee retention rights to issue                  |              | 990,000            | 209,640           |
| Balance   | 30 June 2022 | 216,355,749        | 28,064,477        |
| Exercise of performance rights                      |              | 4,510,266          | 319,632           |
| Capital raising                                     |              | 79,376,924         | 2,777,309         |
| Transfer of vested expired options to share capital |              | -                  | 6,290,131         |
| Warrants exercised                                  |              | 11,000,000         | 580,114           |
| Share issue costs                                   |              | -                  | (139,160)         |
| Balance   | 30 June 2023 | <u>311,242,939</u> | <u>37,892,503</u> |

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

**Note 23. Reserves**

|                                      | 2023<br>\$     | 2022<br>\$       |
|--------------------------------------|----------------|------------------|
| Option issue reserve                 | 149,161        | 6,816,803        |
| Foreign currency translation reserve | <u>154,005</u> | <u>94,038</u>    |
|                                      | <u>303,166</u> | <u>6,910,841</u> |

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

|   | Share based<br>payments<br>reserve<br>\$ | Foreign<br>currency<br>translation<br>reserve<br>\$ | Total<br>\$    |
|---|--|---|----------------|
| Balance at 1 July 2021                              | 6,485,655                                | (42,910)  | 6,442,745      |
| Foreign currency translation                        | -  | 136,948   | 136,948        |
| Share based payments issued                         | <u>331,148</u>                           | -   | <u>331,148</u> |
| Balance at 30 June 2022                             | 6,816,803                                | 94,038  | 6,910,841      |
| Foreign currency translation                        | -  | 59,967  | 59,967         |
| Conversion of rights to shares                      | (319,632)                                | -   | (319,632)      |
| Transfer of vested expired options to share capital | (6,290,131)                              | -   | (6,290,131)    |
| Share based payments expense                        | (79,236)                                 | -   | (79,236)       |
| Options issued                                      | <u>21,357</u>                            | -   | <u>21,357</u>  |
| Balance at 30 June 2023                             | <u>149,161</u>                           | <u>154,005</u>                                      | <u>303,166</u> |

**Note 23. Reserves (continued)**

**Nature and purpose of reserve**

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

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

**Note 24. Events after the reporting period**

The following material events occurred after year end.

1) Restructure of the debt facility with Pure. The key changes include:

- o Aligning the Repayment Date for Tranche 1 and Tranche 2 to 20 March 2025 from 1 July 2024.
- o Providing short-term covenant flexibility to facilitate the rollout of Spacetalk's new Budget Watch in the coming quarter.
- o Reduction in cash covenants from \$1.25m to \$1.0m from 1 January 2024.
- o Agreement on the operating cash flow covenant effective Q2 FY24.

As part of this renegotiation, Spacetalk issued to Pure 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 is subject to shareholder approval.

2) The Company successfully secured commitments for a placement to raise a gross amount of \$761,700 at \$0.022 per share. The Placement is expected to settle on 5 September 2023.

A partially underwritten pro-rata non-renounceable entitlement issue of one (1) Share for every 2.5 Shares to raise a gross amount of \$2,738,938 at \$0.022 per share was announced on 28 August 2023. The rights issue is expected to conclude on 29 September 2023.

Subscribers into the placement and non-renounceable rights will receive one Option for every 2 new shares that they have subscribed for, with the Placement Options subject to the approval of Spacetalk's shareholders.

Other than the matters outlined above, no other matter or circumstance has arisen since 30 June 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.

**Spacetalk Limited**  
**Corporate directory**  
**30 June 2023**

|                                    |   |
|------------------------------------|---|
| <b>Registered office</b>           | Level 2<br>104 Frome Road<br>Adelaide SA 5000<br>Australia  |
| <b>Principal place of business</b> | Suite 13, The Parks<br>154 Fullarton Road<br>Rose Park SA 5067 Australia<br>Telephone: +61 (08) 8104 9555<br>Facsimile: +61 (08) 8431 2400  |
| <b>Other offices</b>               | Office 9, Business First<br>Burnbrae Rd, Linwood Industrial Estate<br>Paisley PA3 3FP<br>United Kingdom   |
| <b>Share register</b>              | Computershare Investor Services Pty Ltd<br>Level 5, 115 Grenfell Street<br>Adelaide SA 5000, Australia<br><b>Telephone:</b> 1300 556 161<br><b>Overseas Callers:</b> -161 3 9415 4000<br><b>Facsimile:</b> 1300 534 987 |
| <b>Auditor</b>                     | William Buck (SA)   |
| <b>Stock exchange listing</b>      | Spacetalk Limited shares are listed on the Australian Securities Exchange (ASX<br>code: SPA)  |
| <b>Website</b>                     | <a href="http://www.spacetalkwatch.com">www.spacetalkwatch.com</a>  |