Annual Report

For the Year Ended 30 June 2024

Spacetalk Limited ABN 93 091 351 530

www.spacetalk.co

Contents

SPACETALK

SPA 2024 Highlights

+17% Growth

in Annual Recurring Revenue vs prior corresponding period (pcp)

$9,700,000

ARR

Spacetalk Mobile paid subscriber growth

+110% vs pcp

31,000

Subscribers

Revenue growth driven by increased device sales and solid growth in Spacetalk Mobile paid subscribers

+33% vs pcp

$17.9m

Revenue from continuing operations

Margins maintained and more gross profit dollars retained

+32% vs pcp

$9.0m

Gross profit from continuing operations

Optimised operating cost base as a result of group structure and cost management initiatives

-13% vs pcp

$13.3m

Operating expenses from continuing operations

EBITDA improvement driven by increased operating leverage and execution focus

-50% vs pcp

-$4.2m

EBITDA from continuing operations

Paving the way to a sustainable business with continued momentum

Letter from the Chair of Spacetalk Limited

Dear Shareholders

On behalf of the board of directors, I am pleased to present the Company's Annual Report for the 2024 financial year ('FY24').

FY24 has been a pivotal year for Spacetalk, marked by the successful execution of our corporate strategy centred around "Safety at Every Stage of Life." This vision has driven our transition from a loss-making child's wearables business to a more sustainable, device-agnostic, software-enabled company.

This transformation was achieved while significantly increasing revenue and decreasing costs. Our efforts to expand into new markets and introduce innovative products have positioned us for strong growth. We continue to prioritize operational efficiency, but our focus has also expanded to drive top-line growth through diversified revenue streams and strategic partnerships.

As we move into FY25, we are committed to accelerating growth, expanding our market presence, and continuing to innovate. By doing so, we will build long-term value for our shareholders and capitalise on the many opportunities ahead.

I would like to take the opportunity to thank our CEO/MD Simon Crowther and the SPA team for their hard work and dedication in this pivotal year. Also, I would like to thank our shareholders for their support of our exciting journey.

GEORG CHMIEL
Non-Executive Chair

CEO's Report

I am pleased to share an update on the significant milestones we achieved during the 2024 financial year, marking another crucial phase in our company's journey and setting the stage for future growth.

Our focus was the continued execution of our corporate strategy provided to shareholders in May 2023. The overarching theme of 'Safety at Every Stage of Life' binds our vision and mission to evolve the company from being a loss-making child's wearables business to be a sustainably profitable, age and device agnostic SaaS business.

This shift represents a much larger opportunity for growth and the potential to deliver attractive returns for shareholders. We are no longer exclusively a kids' wearables business. We are accelerating internal transformation to become a software led, hardware-enabled company, attracting a new demographic of Spacetalk users, independent of the sale of children's watches.

In a challenging macroeconomic environment, where inflationary pressures and rising interest rates have tested many industries, our strategic pivot towards a SaaS-led model with recurring subscription revenue will allow us to maintain stability and drive long-term growth. By reducing our reliance on hardware sales, we have been able to mitigate some of the economic uncertainties and focus on sustainable profitability.

To seize this market opportunity, every area of the business needed to be reset and refocused in alignment with our strategy and sound business practices. I am pleased with the progress we made during the year, resetting an organisation that had lost its way is not easy or straightforward, we have successfully concluded the initial reset and refocus phase culminating in achieving a cash positive position in Q4. We have embraced cutting-edge approaches in automation and always-on customer engagement, strategically near-shored customer support with a trusted partner, and optimised our cloud services. These targeted changes have not only significantly reduced costs but also increased efficiency, visibility and accountability. These are foundational decisions aimed at supporting the future scalability of the business as we enter the second phase of our corporate strategy focused on driving growth and fully activating all aspects of our product ecosystem.

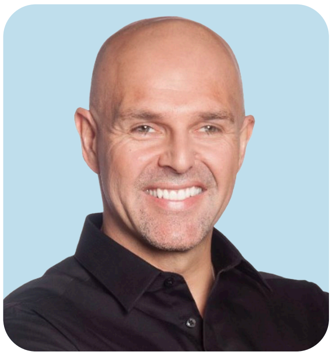
Early signs are promising, we saw strong growth in Spacetalk Mobile as all our devices are soft locked to our own network driving recurring subscription revenue. We are well positioned to enter the strategically important seniors' sector. As Australia faces an aging population, the demand for seniors' technology solutions continues to rise. Our refreshed Life mPers device is well-positioned to meet this demand, tapping into a larger, under-served market. With the seniors' sector outpacing the kids' market in size and lifetime customer value, we are confident this will be a key growth driver.

We strengthened our marketing capabilities, introduced enhanced eCommerce capability, and have identified this area as a key driver for future growth.

Lastly, we de-risked the business and shareholders by establishing a positive relationship with our bankers, Pure Asset Management, and successfully renegotiated the repayment schedule for the legacy debt. We are confident we have both the means and the time to repay this debt in full and on schedule.

As we enter FY25, we expect to build on the strategic groundwork laid this year. With our SaaS and subscription models established, we anticipate continued positive cash flow and an expanded presence in the seniors' market, aligning with our goal of delivering sustainable, long-term value to our shareholders. Our growing ecosystem, combined with our focus on recurring revenue, positions us to accelerate both growth and profitability in FY25. We are confident that these strategies will enable us to meet our goal of $20-25m of recurring revenue by 2026.

I would like to extend my gratitude to Pure Asset Management for their unwavering support, the Spacetalk board for their tireless dedication, and our shareholders for standing by us after many years of frustration. I am confident we are on the right track, and I am excited for Spacetalk to finally meet and exceed expectations.



Simon Crowther
CEO and Managing Director

Corporate Directory

Registered Office	Level 2 104 Frome Street Adelaide SA 5000 Australia
Principal place of business	Level 2 104 Frome Street Adelaide SA 5000 Australia **Email:** support@spacetalk.co
Share Registry	BoardRoom Pty Ltd Level 8, 210 George Street Sydney NSW 2000, Australia **Telephone:** 1300 737 760 **Overseas Callers:** +61 2 9290 9600 **Email:** enquiries@boardroomlimited.com.au
Auditor	William Buck (SA)
Stock Exchange listing	Spacetalk Limited shares are listed on the Australian Securities Exchange (ASX code: **SPA**)
Website	www.spacetalk.co

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group or Company') consisting of Spacetalk Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2024.

DIRECTORS

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

- Georg Chmiel - Chair
- Michael Rann
- Simon Crowther
- Saurabh Jain (resigned 15/11/2023)
- Martin Pretty
- Brandon Gien (resigned 16/11/2023)

PRINCIPAL ACTIVITIES

Spacetalk Limited (ASX: SPA) is a family safety technology business that develops and sells hardware and software products that address safety concerns at every stage of life. Spacetalk Mobile is a MVNO that sells mobile plans that connect our products and families. As a package, the company's product ecosystem provides a complete digital solution that supports safety and security for families across their life stages and for employees working in remote settings. The company's unique proprietary ecosystem, which has continued to evolve over time, is today recognised as a leader in family safety and the connected wearables industry.

The Spacetalk technology platform comprises both market-leading hardware and a trusted, client-controlled software platform that provides safety and security to users via the benefits of mobile technology. The multi-functional SaaS Spacetalk App can be customised, giving clients the ability to enable or disable individual features. Parents are empowered to block their kids access to the open internet, social media, and inappropriate adult content while simultaneously blocking calls and messages from unknown senders. The app can also monitor the location of vulnerable family members, including children and seniors bringing enhanced peace of mind for the entire family.

Spacetalk's core wearables hardware is effectively a child's first mobile phone. It offers all the benefits of a smart device, operating on a secure, private and parent-controlled ecosystem that can be customised to reflect each family's needs and values.

DIVIDENDS

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

Information on Directors

GEORG CHMIEL

Independent Non-Executive Chair

MBA (INSEAD) and Masters equivalent in Computer Science (Technical University of Munich)

Georg is a business leader, company director and senior advisor with 3 decades of experience in rapidly growing companies and disruptive technologies who brings strong capital market and technology business expertise with extensive global exposure in Asia, Australia, New Zealand, and Europe.

Georg is currently Non-Executive Chair and Co-Founder of Juwai-IQI, Asia's leading prop-tech group. He is also the Non-Executive Chair of Centrepoint Alliance (ASX: CAF), Non-Executive Director of Kinatico (ASX: KYP) and Xamble Ltd (ASX:XGL).

Former directorships (last 3 years):	Non-Executive Director of Proptech (ASX: PTG), BUTN (ASX:BTN) and Executive Chair of iCar Asia (ASX: ICQ)
Special responsibilities:	Member, Audit and Risk Committee Member, Remuneration and Nomination Committee
Interests in shares:	16,416,667 shares
Interests in options:	7,670,454 options
Interests in rights:	Nil performance rights

HON MIKE RANN, AC CNZM

Independent Non-Executive Director

Master's degree in Politics (University of Auckland)

Mike was Premier of South Australia for almost ten years from 2002 to 2011. While Premier, he also served as Minister for Economic Development, the Arts, Sustainability and Climate Change and Social Inclusion. In late 2012 Mike was appointed as Australian High Commissioner to the United Kingdom and was a Governor of the Commonwealth Secretariat. In 2014 he was appointed as Australia's Ambassador to Italy, San Marino, Albania and Libya, and Permanent Representative to the UN's World Food Programme and to the Food and Agricultural Organisation. Mike was Chair of the Power of Nutrition (UK) between 2017 and 2022 and was also an Independent Director of Health House International (Australia) until 2023.

Other current directorships:	Mike is currently the UK and Global Chair of the Climate Group. He is Chair of the South Australia Film Corporation, CEO of Rann Strategy Group and Visiting Professor at King's College London.
Former directorships (last 3 years):	Mike was Chair of the Power of Nutrition (UK) between 2017 and 2022 and was also an Independent Director of Health House International (Australia) until 2023.
Special responsibilities:	Chair, Remuneration and Nomination Committee Member Audit and Risk Committee
Interests in shares:	870,285 shares
Interests in options:	333,889 options
Interests in rights:	Nil performance rights

SIMON CROWTHER

CEO and Managing Director

BA (Hons) Business Studies & Media from Leeds University (UK) and Master of Business & Enterprise from the University of Melbourne.

Simon Crowther is a serial entrepreneur and CEO with over 20 years of commercial success rooted in the technology sector in the UK, US, Canada and Australia. Simon had his first profitable exit in 2000 which paved the way for increased leadership roles and exits in subsequent years. He is comfortable at transitioning businesses at different operating stages and leading teams from startup, scale up and turnaround across international markets.

Simon was CEO with AirMap, Managing Director with Yamaha Motor Ventures & Laboratory Silicon Valley and CEO of Nearmap, which he built from a start up into a leading spatial data business. He devised the core subscription model that delivered exponential growth for shareholders, culminating in a $1B+ acquisition.

Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	5,072,193 shares
Interests in options:	1,036,097 options
Interests in rights:	7,103,077 performance rights

MARTIN PRETTY

Independent Non-Executive Director

Bachelor of Arts (Honours) from The University of Melbourne

Graduate Diploma of Applied Finance from Finsia.

CFA charter holder

Graduate of the Australian Institute of Company Directors.

Martin brings over 24 years of experience in the investment and financial services industry and has had deep involvement over that time in investing in and supporting growing Australian technology businesses. Martin currently manages a boutique investment business and was previously an investment manager with Thorney Investment Group and held management roles at ASX-listed companies Hub24, Bell Financial Group and IWL Limited. Martin also previously worked as a finance journalist with The Australian Financial Review.

Other current directorships:	Non-executive chairman of ASX-listed home security technology company Scout Security (ASX: SCT), and a non-executive director of ASX-listed financial services group Centrepoint alliance (ASX: CAF).
Former directorships (last 3 years):	None
Special responsibilities:	Chair, Audit and Risk Committee Member, Remuneration and Nomination Committee
Interests in shares:	9,063,391 shares
Interests in options:	3,983,844 options
Interests in rights:	123,610 performance rights

COMPANY SECRETARY

Ms Kim Clark is the Head of Corporate Services for Boardroom Pty Ltd's Queensland office and currently acts as Company Secretary for various ASX listed and unlisted companies in Australia. Ms Clark is an experienced business professional with 22 years' experience in banking and finance and six years as in-house Company Secretary of an ASX 300 company prior to joining Boardroom in April 2013.

Kim holds a Certificate III in Financial Services, Graduate Certificate in Commerce, and Certificate of Banking.

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
Georg Chmiel	10	10	1	1	4	4
Michael Rann	10	10	1	1	1	2
Simon Crowther	10	10	-	-	-	-
Saurabh Jain (resigned 15/11/2023)	4	4	1	1	-	-
Martin Pretty	10	10	2	2	4	4
Brandon Gien (resigned 16/11/2023)	4	4	1	1	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Operational and Financial Review

KEY PERFORMANCE HIGHLIGHTS

Income Statement ($'000)	FY24	FY23
Revenue from continuing operations	17,913	13,455
Revenue growth %	33%	(10%)
Gross Profit from continuing operations	9,049	6,834
Gross Margin (%)	51%	51%
Operating Expenses from continuing operations	(13,256)	(15,250)
EBITDA from continuing operations	(4,207)	(8,416)
Discontinued operations	(540)	(3,621)
Loss after income tax attributable to the owners of Spacetalk	(6,236)	(14,685)

FINANCIAL PERFORMANCE

For the year ended 30 June 2024 the total reported revenue from continuing operations was $17.9m, up 33% compared with the prior year. This was primarily driven by $2.2m in hardware device sales and $2.3m in net revenue growth across all other revenue streams, particularly our Spacetalk Mobile (MVNO) business segment.

Annual recurring revenue (ARR) was $9.7m, up 17% compared with prior year. The increase in ARR demonstrates our execution capability and the successful delivery of our strategic plan towards a subscription-based business model. The focus on growth of Spacetalk Mobile since FY23 has been pivotal in our transition to a mobile-centric strategy and demonstrates our ability to create a sustainable ecosystem that fosters long-term customer loyalty, engagement and lifetime value. Our total paid mobile subscribers grew to 14.7k in FY23 (first year of launch) and has since grown by 110% in FY24 to 30.9k paid subscribers.

The business has two primary revenue streams: device sales and recurring revenue.

Recurring revenue is then further segmented into Schools' subscriptions, App subscriptions, and MVNO (Mobile) subscriptions.

Segment Performance	FY24			
	Total Segment Revenue	Other Revenue	Revenue from External Customers	Gross Profit
Devices	8,235,326	-	8,235,326	2,422,457
Schools	1,830,320	-	1,830,320	1,761,168
MVNO	4,523,291	-	4,523,291	1,983,675
Apps	2,892,112	-	2,892,112	2,458,775
Corporate	-	432,009	432,009	422,465
Total segment revenues	**17,481,049**	**432,009**	**17,913,058**	**9,048,540**

Segment Performance	FY23			
	Total Segment Revenue	Other Revenue	Revenue from External Customers	Gross Profit
Devices	6,082,372	-	6,082,372	1,091,210
Schools	2,096,715	-	2,096,715	1,977,891
MVNO	1,361,879	-	1,361,879	726,716
Apps	3,812,515	-	3,812,515	2,935,962
Corporate	-	102,002	102,002	102,002
Total segment revenues	**13,353,481**	**102,002**	**13,455,483**	**6,833,781**

GROSS PROFIT & MARGINS

Gross profit increased by $2.2m, up 32% in line with revenue growth to $9.0m (FY23: $6.8m) and the gross profit margin remained consistent at 51% (FY23: 51%).

OPERATING EXPENSES

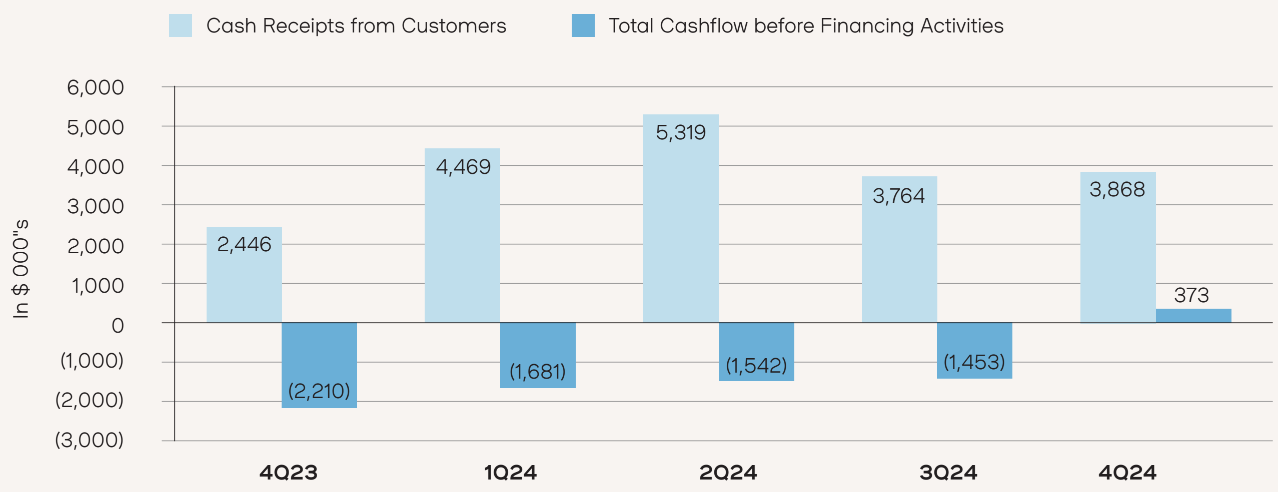
Our strong revenue growth and efficient operating model continues to unlock operating leverage, with operating expenses down 13% to $13.3m (FY23: $15.3m). The company restructuring and cost-out in 2H24 has streamlined our operations, efficiency and allows us to remain agile as we navigate the dynamic market environment.

We will continue to maintain a vigilant cost management approach and further scale back cost levers if needed. This provides us with a solid foundation for continued future profitability, positive cash generation and increased financial stability.

CASHFLOWS FROM CONTINUING AND DISCONTINUED OPERATIONS

Summary Cash Flow Statement ($'000)	**FY24**	**FY23**
Cash receipts from customers	17,420	17,803
Cash payments to suppliers, employees	(19,890)	(20,328)
Interest paid	(369)	(694)
Income taxes paid	(32)	(237)
Net cash used in operating activities	**(2,870)**	**(3,455)**
Purchase of intangible assets	(1,400)	(1,661)
Cash used in investing activities	**(1,433)**	**(1,668)**
Cash Flow before financing activities	(4,303)	(5,123)
Cashflow from financing activities	**3,047**	**2,495**
Net decrease (increase) in cash and cash equivalents	(1,256)	(2,551)
Cash and cash equivalents at year end	**1,770**	**3,026**

CASH FLOW DRIVEN BY IMPROVED REVENUE & OPERATIONAL EFFICIENCY



Over the last five quarters, we have seen a significant turnaround in our business, reflected in the steady improvement in cash flow before financing activities. This improvement is directly tied to our strategic shift towards higher quality, recurring revenue streams and a focused effort on operational efficiency.

Positive cash flow before financing activities of $373k was achieved in 4Q24 vs PCP (4Q23: -$2.2m) due to:

- **Recurring Revenue:** FY24 ARR increased to $9.7m (FY23: $8.3m), significantly boosting cash flow.
- **Receivables Management:** FY24 debtor days improved to 30 days (FY23: 45 days), releasing $0.5m in cash inflows due to more efficient collections.
- **Inventory Reduction:** FY24 inventory reduced to $2.3m (FY23: $3.5m), freeing up significant cash.
- **Cost Efficiencies:** Operational costs were reduced to $4.8m (FY23: $5.6m) resulting in $800k in cost savings. This was achieved through focused business process improvements and efficiency initiatives.

GROWTH STRATEGY

Our strategic focus on core business areas has already yielded tangible results, including significant cost reductions and improved annual recurring revenue (ARR). Having successfully stabilised the business, we are now entering a growth phase. This phase will involve disciplined exploration of international expansion opportunities, alongside the development and growth of our product offerings. These efforts are designed to build on our solid foundation and drive sustainable growth moving forward.

EVENTS AFTER THE REPORTING DATE

Capital Raise

The Company initiated a capital raise with a minimum subscription target of $2,664,635 and a maximum subscription target of $4,196,766, comprising an Institutional Entitlement Offer, Placement, and Retail Entitlement Offer. To date, the Placement and Institutional Entitlement Offer have been successfully completed and were oversubscribed, raising approximately $1.7 million (before costs).

This capital will be used to fund inventory purchases, costs associated with data-led growth marketing, product development (including the Adventurer 3 device), and costs of the offers.

Borrowing Facility Extension

On 31 July 2024, Spacetalk successfully refinanced and extended its borrowing facility, providing additional financial flexibility. While the facility has a total loan balance of $5 million, only $1 million is payable within the next 12 months, significantly reducing near-term obligations. See note 33 for further details.

SUMMARY OF KEY BUSINESS RISKS

The Group 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, we have made, and continue to make investments in our 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.

MATERIAL RISK AREAS	WHAT WE ARE DOING TO MANAGE THE RISK
Capital and funding Challenges in securing sufficient debt and equity funding could impact our ability to effectively execute our strategy.	• Regular communications and close relationship with debt funder. • Close management of cash flow. • Actively engaging with shareholders and the broader equity market.
Strategic Staying responsive to shifts in the competitive landscape is essential. Ensuring our strategic actions are well-aligned with these changes will help maintain our market position.	• Regular discussions of strategy and strategic initiatives with the Board. • Periodic measurement of results against targets. • Strengthen capability with experts who possess a good command of the environment.
Technology Underinvesting in developing and maintaining systems which support innovation and growth.	• Clear definition of technology roadmap. • Understanding changing customer needs and responding with the necessary technology improvements.
People Attracting and retaining staff who align with our culture and can drive innovation and customer-focused solutions.	• Remuneration and benefits structure to retain and attract top talent. • Clear and consistent on our culture and values.
Macroeconomic Staying attuned to broader economic and retail trends is important to ensure our strategy remains relevant and effective.	• Analyse and monitor economic and retail conditions, at a minimum, to identify shifts and take steps to manage potential impacts.
Environment and climate Proactively understanding and addressing environmental risks and impacts will be vital to our long-term sustainability.	• Review processes and practices to reduce impact on the environment. • Develop reporting on our environmental footprint.

REMUNERATION REPORT (AUDITED)

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

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

In respect of the remuneration report, last voted upon by shareholders at the 2023 Annual General Meeting (AGM), less than 25% of the votes were cast against this resolution, therefore the resolution was carried.

Since the last AGM, the Board has:

- commenced a redesign of the remuneration framework which is expected to be completed during FY25.

Key management personnel included in this report include:

Non-executive and executive directors:

- **Georg Chmiel**
- **Michael Rann**
- **Simon Crowther**
- **Saurabh Jain** (until 15/11/2023)
- **Martin Pretty**; and
- **Brandon Gien** (until 16/11/2023)

Other key management personnel:

- **Craig Boshier** - Chief Operating Officer
- **Gerhard Beukes** - Interim Chief Financial Officer (commenced 15 March 2024)
- **Tonderai Maenzanise** - Chief Financial Officer (until 14 March 2024)
- **Susan Graney** - Chief Financial Officer (until 10 July 2023)

Principles used to determine the nature and amount of remuneration

REMUNERATION POLICY

The board policy is to remunerate directors at market rates for time, commitment, and responsibilities. The board determined payments to directors and reviews their remuneration annually, based on market practice, duties, and accountability. Independent external advice is sought when required. The maximum aggregate amount of Directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. To align Directors' interests with shareholders' interests, the Directors are encouraged to hold shares in the Company.

The Directors and full-time executives receive a superannuation guarantee contribution as required by law, currently 11.5%. The CEO and full-time executives do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

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

Where necessary, the Board seeks independent third-party expert advice on its remuneration policies and has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity. No experts were used during the year.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive Director and executive compensation is separate and distinct.

NON-EXECUTIVE DIRECTOR COMPENSATION

Objective

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

Structure

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

The amount allocated for non-executive directors, as approved by the shareholders, remains at $500,000—unchanged from the previous year.

The Board considers advice from external consultants as appropriate as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process. Non-Executive Directors' remuneration may include an incentive portion consisting of performance rights, as considered appropriate by the Board, which may be subject to Shareholder approval in accordance with ASX listing rules.

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

EXECUTIVE COMPENSATION

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

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

Structure

In determining the level and make-up of executive remuneration, the Board negotiates remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Remuneration is periodically compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration and a long-term incentive portion as considered appropriate. Compensation may consist of the following key elements, however no contracted STI was payable for FY24:

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

LONG TERM INCENTIVES

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

Long term incentives (LTIs) granted to Directors or executives are delivered in the form of performance rights. These rights are granted subject to pre-determined performance hurdles determined at the time of issue.

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

Typically, the grant of LTIs occurs at the commencement of employment, at bi-annual performance reviews, or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time.

Details of remuneration

EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES

The employment arrangements of the Directors are documented through agreements.

DETAILS OF REMUNERATION FOR YEAR

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

Georg Chmiel	Director (Non-executive)	
Michael Rann	Director (Non-executive)	
Simon Crowther	Executive Managing Director and CEO	
Saurabh Jain	Director (Non-executive)	Resigned 15 November 2023
Martin Pretty	Director (Non-executive)	
Brandon Glen	Director (Non-executive)	Resigned 16 November 2023

EXECUTIVES

In addition to the Managing Director and CEO, there were four other key management personnel:

Craig Boshier - Chief Operating Officer

Gerhard Beukes - Interim Chief Financial Officer (commenced 15 March 2024)

Tonderai Maenzanise - Chief Financial Officer (ceased employment on 14 March 2024)

Susan Graney - Chief Financial Officer (ceased employment on 10 July 2023)

TERMS OF EXECUTIVE KMP

Remuneration and other terms of employment for the Executive KMP are formalised in service agreements. Each of these agreements can provide for the provision of STI, eligibility for the Spacetalk LTIP and may include other competitive benefits. All employment agreements are unlimited in term but capable of termination at agreed notice by either the Company or the Executive KMP. The Company can make a payment in lieu of notice. The notice period for each Executive KMP is listed in the table below. In the event of retrenchment, each of the Executive KMP listed in the table below is entitled to the payment provided for in the service agreement. The employment of the Executive KMP may be terminated by the Company without notice by payment in lieu of notice. Upon termination of employment, the Board exercises its discretion on payment of a pro-rata STI entitlement and early vesting of any unvested LTI held by the Executive KMP. The service agreements also contain confidentiality and restraint of trade clauses. The provisions of the agreements relating to notice period and remuneration are listed in the table below.

	Term of agreement and notice period (1)	Total Fixed Remuneration (2)	Termination payments (3)
Simon Crowther (MD & CEO)	6 months	401,400	6 months
Craig Boshier (COO)	3 months	334,500	3 months
Gerhard Beukes (Interim CFO)	1 week	2,500 per day (4)	1 week

(1) Notice applies to either party.
(2) Annual base salaries and superannuation
(3) Base salary payable if the Company terminates executive KMP with notice, and without cause.
(4) Gerhard Beukes is engaged as a contractor and is remunerated based on variable days worked.

THE RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

	30/06/2024	30/06/2023	Restated 30/06/2022	30/06/2021	30/06/2020
Revenue[1]	17,913,058	13,455,483	14,878,735	15,121,573	10,486,517
Net profit/(loss) before tax[1]	(5,696,053)	(10,814,190)	(5,703,468)	(2,435,719)	(5,271,344)
Net profit/(loss) after tax[1]	(5,696,053)	(11,064,166)	(6,323,878)	(1,780,148)	(4,265,450)
Share price at start of year	0.027	0.060	0.16	0.14	3.30
Share price at end of year	0.017	0.026	0.06	0.16	0.14
Interim Dividend	-	-	-	-	-
Final Dividend	-	-	-	-	-
Basic earnings/(loss) cents per share from continuing operations	(1.32)	(4.29)	(3.64)	(1.09)	(3.10)
Diluted earnings/(loss) cents per share from continuing operations	(1.32)	(4.29)	(3.64)	(1.09)	(3.10)

1. .From continuing operations

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

2024	Short term - Salary & Fees	Post employment- Super-annuation	Benefits & Entitlements	Termination payment	Share-based payment (ii)	Total
	$	$	$	$	$	$
Directors						
Georg Chmiel	70,000	-	-	-	4,545	74,545
Michael Rann	28,392	3,123	-	-	3,030	34,545
Simon Crowther	371,477	27,399	27,691	-	175,743	602,310
Saurabh Jain	11,728	1,201	-	-	3,030	15,959
Martin Pretty	30,000	3,300	-	-	(22,788)	10,512
Brandon Gien	11,029	1,213	-	-	(38,857)	(26,615)
Other Key Management						
Craig Boshier	305,724	27,399	22,499	-	179,320	534,941
Gerhard Beukes	140,250	-	-	-	-	140,250
Tonderai Maenzanise	232,489	20,299	-	-	5,250	258,039
Susan Graney	13,931	6,850	-	76,154	-	96,935
	1,215,021	90,784	50,190	76,154	309,273	1,741,422

For commencement and termination dates refer to page 17.

2023	Short term - Salary & Fees	Post employment- Super-annuation	Benefits & Entitlements(i)	Termination payment	Share-based payment (ii), (iii)	Total
	$	$	$	$	$	$
Directors						
Georg Chmiel	85,000	-	-	-	4,394	89,394
Michael Rann	26,863	2,821	-	-	1,248	30,932
Simon Crowther	144,187	6,323	14,745	-	-	165,255
Saurabh Jain	184,056	21,414	3,197	-	15,818	224,485
Martin Pretty	26,863	2,821	-	-	17,512	47,196
Brandon Gien	26,863	2,821	-	-	17,512	47,196
Mark Fortunatow	173,173	18,133	66,714	250,000	(179,136)	328,884
Other Key Management						
Craig Boshier	118,976	10,321	9,122	-	-	138,419
Tonderai Maenzanise	69,063	-	-	-	-	69,063
Susan Graney	49,570	5,205	3,813	-	-	58,588
Jared Puro	68,373	13,607	-	72,740	(35,941)	118,779
Mark Moloney	267,006	27,865	27,455	-	29,128	323,999
	1,239,993	111,331	97,591	322,740	(129,465)	1,642,190

2024	**Georg Chmiel**	**Michael Rann**	**Simon Crowther**	**Saurabh Jain**	**Martin Pretty**	**Brandon Gien**	**Mark Fortunatow**
Fees paid to related entities	-	-	-	-	-	-	-

2023	Georg Chmiel	Michael Rann	Simon Crowther	Saurabh Jain	Martin Pretty	Brandon Gien	Mark Fortunatow
Fees paid to related entities (iv)	-	-	-	-	-	-	93,253

(i) For Mark Fortunatow, the 2023 amount includes $31,789 in novated lease payments and FBT of $34,945. Other KMP Benefits and Entitlements relate to accrued annual leave.

(ii) Performance rights were granted to key management personnel during FY24. The value of the rights granted to key management personnel as part of their remuneration is calculated as at the grant date using the share price on grant date. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date. These are non-cash transactions and reflect the accounting cost of the rights which are amortised over the period over which they were granted. Negative amounts reflect the impact of lapsed unvested rights upon termination of employment.

(iii) No new performance rights were granted to Mark Fortunatow in 2023. The negative expense recognises the net impact of performance rights that lapsed upon Mark's departure.

(iv) Remuneration paid to a member of Mark Fortunatow's family for administrative services rendered.

Share-based compensation

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

Name	Grant Date	# Granted	Fair Value ($)	Value ($)	Vesting date	# Vested	Expiry date
Georg Chmiel	16/11/2023	239,234	0.019	4,545	23/11/2023	239,234	16/11/2028
Michael Rann	16/11/2023	159,490	0.019	3,030	23/11/2023	159,490	16/11/2028
Simon Crowther	16/11/2023	3,000,000	0.019	57,000	18/11/2023	3,000,000	16/11/2028
Simon Crowther	16/11/2023	20,769,231	0.019	394,615	31/07/2024	-	16/11/2028
Saurabh Jain	16/11/2023	159,490	0.019	3,030	23/11/2023	159,490	16/11/2028
Martin Pretty	1/12/2020	123,610	0.130	16,069	1/12/2023	123,610	01/12/2035
Martin Pretty	16/11/2023	159,490	0.019	3,030	23/11/2023	159,490	16/11/2028
Brandon Gien	1/12/2020	375,000	0.130	48,750	1/12/2023	-	01/12/2035
Brandon Gien	16/11/2023	159,490	0.019	3,030	23/11/2023	159,490	16/11/2028
Craig Boshier	15/09/2023	1,500,000	0.021	31,500	18/09/2023	1,500,000	15/09/2028
Craig Boshier	10/01/2024	12,461,538	0.028	348,923	31/07/2024	-	10/01/2029
Tonderai Maenzanise	15/09/2023	250,000	0.021	5,250	18/09/2023	250,000	15/09/2028

During the financial year, 38,857,963 performance rights were granted to KMP.

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

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

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2024 are set out below:

Name	Balance at 1 July	Granted as compensation	Received on exercise of rights	Additions	Disposals/Other	Balance at 30 June
2024	**#**	**#**	**#**	**#**	**#**	**#**
Georg Chmiel	3,634,848	-	239,234	9,625,918	-	13,500,000
Michael Rann	393,018	-	159,490	157,208	-	709,716
Simon Crowther	-	-	3,000,000	1,136,364	-	4,136,364
Saurabh Jain	1,385,455	-	159,490	1,136,364	-	2,681,309
Martin Pretty	2,810,013	-	159,490	4,545,870	-	7,515,373
Brandon Gien	2,116,935	-	159,490	2,300,002	-	4,576,427
Craig Boshier	-	-	1,500,000	1,617,979	-	3,117,979
Tonderai Maenzanise	-	-	250,000	-	(250,000)	-
	10,340,269	-	5,627,194	20,519,705	(250,000)	36,237,168

(i) Shares held reflect both direct and indirect holdings.

(ii) Amendments made to 30 June 2023 (FY23 closing) and 1 July 2023 (FY24 opening) balances to reflect additional indirect holdings held by Martin Pretty.

	Balance at 1 July	Granted as compensation	Received on exercise of rights	Additions	Disposals/Other	Balance at 30 June
2023	**#**	**#**	**#**	**#**	**#**	**#**
Georg Chmiel	-	-	151,515	3,483,333	-	3,634,848
Michael Rann	-	-	43,018	350,000	-	393,018
Simon Crowther	-	-	-	-	-	-
Saurabh Jain	-	-	545,455	840,000	-	1,385,455
Martin Pretty	615,001	-	43,018	2,766,995	-	2,810,013
Brandon Gien	253,571	-	43,018	1,820,346	-	2,116,935
Mark Fortunatow	17,612,800	-	1,250,000	-	-	18,862,800
Jarred Puro	350,000	-	150,000	-	(500,000)	-
Mark Moloney	150,000	-	604,545	-	-	754,545
	18,981,372	-	2,830,569	9,260,674	(500,000)	29,957,614

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Balance at 1 July	Granted as compensation	Reduction due to exercise of options	Weighted average exercise price	Net other change	Balance at 30 June	Balance vested and exercisable
2024	#	#	#	$	#	#	#
Georg Chmiel	1,666,666	-	-	-	4,545,454	6,212,120	6,212,120
Michael Rann	175,000	-	-	-	78,604	253,604	253,604
Simon Crowther	-	-	-	-	568,182	568,182	568,182
Saurabh Jain	420,000	-	-	-	568,182	988,182	988,182
Martin Pretty	936,363	-	-	-	2,273,472	3,209,835	3,209,835
Brandon Gien	910,172	-	-	-	1,150,002	2,060,174	2,060,174
Craig Boshier	-	-	-	-	250,000	250,000	250,000
Tonderai Maenzanise	-	-	-	-	113,636	113,636	113,636
	4,108,201	-	-	-	9,547,532	13,655,733	13,655,733

The above options are free attaching options issued as part of the rights issue conducted in December 2023.

Name	Balance at 1 July	Granted as compensation	Reduction due to exercise of options	Weighted average exercise price	Net other change	Balance at 30 June	Balance vested and exercisable
2023	#	#	#	#	#		
Georg Chmiel	-	-	-	-	1,666,666	1,666,666	1,666,666
Michael Rann	-	-	-	-	175,000	175,000	175,000
Saurabh Jain	-	-	-	-	420,000	420,000	420,000
Martin Pretty	-	-	-	-	936,363	936,363	936,363
Brandon Gien	-	-	-	-	910,172	910,172	910,172
Mark Fortunatow	2,500,000				(2,500,000)	-	-
	2,500,000	-	-	-	1,608,201	4,108,201	4,108,201

The above options are free attaching options issued as part of the rights issue conducted in December 2022.

The following table outlines the performance rights held by the directors and other key management personnel in Spacetalk Limited:

Name	Balance at 1 July	Granted as compensation	Exercise of rights	Forfeited/Lapsed	Balance at 30 June
2024	#	#	#	#	#
Georg Chmiel	-	239,234	(239,234)	-	-
Michael Rann	-	159,490	(159,490)	-	-
Simon Crowther	-	23,769,230	(3,000,000)	-	20,769,230
Saurabh Jain	-	159,490	(159,490)	-	-
Martin Pretty	375,000	159,490	(159,490)	(251,390)	123,610
Brandon Gien	375,000	159,490	(159,490)	(375,000)	-
Craig Boshier	-	13,961,538	(1,500,000)	-	12,461,538
Tonderai Maenzanise	-	250,000	(250,000)	-	-
	750,000	38,857,962	(5,627,194)	-	33,354,379

The vesting of performance rights is contingent on achieving 80-125% of a $12m ARR target, positive free cash flow from 1 January to 30 June 2024 and delivering the Company's strategic objectives for FY24.

Name	Balance at 1 July	Granted as compensation	Exercise of rights	Forfeited/Lapsed	Balance at 30 June
2023	#	#	#	#	#
Georg Chmiel	-	151,515	(151,515)	-	-
Michael Rann	-	43,018	(43,018)	-	-
Saurabh Jain	-	545,455	(545,455)	-	-
Martin Pretty	375,000	43,018	(43,018)	-	375,000
Brandon Gien	375,000	43,018	(43,018)	-	375,000
Mark Fortunatow	5,000,000	-	(1,250,000)	(3,750,000)	-
Jarred Puro	425,000	-	(150,000)	(275,000)	-
Mark Moloney	150,000	2,954,545	(604,545)	(2,500,000)	-
	6,325,000	3,780,569	(2,830,569)	(6,525,000)	750,000

THIS CONCLUDES THE REMUNERATION REPORT, WHICH HAS BEEN AUDITED.

SHARES UNDER OPTION

There were 197,732,900 unissued ordinary shares of Spacetalk Limited under option outstanding at the date of this report.

Grant Date	Expiry Date	Exercise Price	Number of Options
28/09/2023	29/12/2024	$0.035	51,453,534
21/11/2023	29/12/2024	$0.035	60,950,303
13/12/2023	22/09/2025	$0.035	1,005,454
25/01/2024	22/09/2025	$0.035	6,272,727
23/09/2024	22/09/2025	$0.035	16,686,970
24/09/2024	22/09/2025	$0.035	18,087,950
29/12/2022	22/09/2025	$0.060	19,176,763
17/02/2023	22/09/2025	$0.060	24,099,199
			197,732,900

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were 5,687,194 ordinary shares of Spacetalk Limited issued on the exercise of rights during the year ended 30 June 2024 and an additional 2,431,442 were issued on the exercise of rights after year end and up to the date of this report. The ordinary shares issued on the exercise of rights have a nil exercise price.

There were no ordinary shares issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to ensure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

NON-AUDIT SERVICES

There were no non-audit services provided during the financial year by the auditor.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF WILLIAM BUCK (SA)

There are no officers of the company who are former partners of William Buck (SA).

AUDITOR'S INDEPENDENCE DECLARATION

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

AUDITOR

William Buck (SA) continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors:

GEORG CHMIEL

Non-Executive Chair

30 September 2024

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 3 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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

On behalf of the directors:

GEORG CHMIEL

Non-Executive Chair

30 September 2024

Independent Auditor's Report
To the members of Spacetalk Limited

William Buck
ACCOUNTANTS & ADVISORS

Independent auditor's report to the members of Spacetalk Limited

Report on the audit of the financial report

Our opinion on the financial report

In our opinion, the accompanying financial report of Spacetalk Limited (the Company) and its subsidiaries (the Group) is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What was audited?

We have audited the financial report of the Group, which comprises:

- the consolidated statement of financial position as at 30 June 2024,
- the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended,
- notes to the financial statements, including material accounting policy information,
- the consolidated entity disclosure statement, and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Level 6, 211 Victoria Square, Adelaide SA 5000
GPO Box 11050, Adelaide SA 5001

+61 8 8409 4333

sa.info@williambuck.com
williambuck.com

William Buck
ACCOUNTANTS & ADVISORS

Material uncertainty related to going concern

We draw attention to Note 3.2 in the financial report, which indicates the Group has a net asset deficiency of $3,862,320 as at 30 June 2024 and recorded a net loss of $6,236,290 for the year. As stated in Note 3.2, these events or conditions, along with other matters as set forth in Note 3.2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue Recognition	**Area of focus (refer also to notes 3.4, 5 & 29)**	**How our audit addressed the key audit matter**
	The Group derives income from the following: — Sale of goods (devices) — App subscriptions, Mobile Virtual Network Operator ("MVNO") subscriptions and School messaging services Each revenue stream requires a bespoke revenue recognition model to ensure that: — The performance obligations for each revenue contract are identified; — The correct determination of whether performance obligations are satisfied over time or at a point in time; and — Revenue is only recognised when a performance obligation is satisfied. The application of AASB 15 Revenue from Contracts with Customers can require judgement, thus we considered this area to be a key audit matter.	Our audit procedures included, amongst others: — determining whether revenue recognised is in accordance with the Group's accounting policies; — examining the existence of device revenue by testing the delivery of products and sighting the subsequent cash receipt from the customer; — agreeing App subscription revenue to independent App store reports and cash receipts; — agreeing MVNO revenue to independent web payment provider reports and cash receipts including assessing income in advance; — reviewing agreements with customers to ensure School licence revenue has been recorded in the correct period; — substantively testing revenue cut-off and the income in advance balance to ensure revenue has been recognised in the correct period.

William Buck
ACCOUNTANTS & ADVISORS

		We also assessed the appropriateness of disclosures attached to revenues as required by Accounting Standard AASB 15 Revenue from Contracts with Customers.
2. Intangible Assets	**Area of focus (refer also to notes 3.9, 4 & 25)** The Group's intangible assets consist of capitalised development costs relating to new and existing products. AASB 138 Intangible Assets requires costs incurred in relation to research must be expensed and costs incurred in relation to development can only be capitalised if certain criteria are met. This is a key audit matter given there is judgement required in relation to which expenditure is able to be capitalised and what is an appropriate amortisation period.	**How our audit addressed the key audit matter** Our audit procedures included, amongst others: — discussions with management and documenting the process as to how development costs are captured and capitalised; — review for impairment indicators and assess the reasonableness of the assumptions in management's impairment test; — the evaluation of capitalised costs based on our understanding of the Group's product range and management intentions; — substantively testing a sample of capitalised costs to ensure they meet the capitalisation criteria; — substantively testing a sample of employee costs capitalised including role, time spent and payroll information; and — assessing the appropriateness of the amortisation period. We also assessed the appropriateness of disclosures as required by *AASB 138 Intangible Assets*.
3. Share-based payments	**Area of focus (refer also to notes 3.17, 4 & 11)** The Group grants performance rights to its employees and directors as part of its short and long-term incentive plan. The Group also pays some of its suppliers in performance shares and options.	**How our audit addressed the key audit matter** Our audit procedures included, amongst others: — Reviewing the appropriateness of the accounting treatment in accordance with AASB 2;

William Buck
ACCOUNTANTS & ADVISORS

	The valuation of share-based payments is a key audit matter due to the complexity in applying AASB 2 Share-based Payment. The valuation and accounting of performance rights involve significant judgement, particularly in estimating the probability of achieving performance conditions over a specified vesting period. Given the significant judgement involved and the potential impact on the financial statements, this area was considered a key audit matter.	— Reviewing minutes of meetings and Group announcements to ensure completeness of information considered in the calculations — Assessing management's calculation of the fair value of options, including the appropriateness of the valuation model and inputs used; and — Verifying a sample of instruments to supporting agreements and contracts. We also assessed the appropriateness of disclosures as required by AASB 2 Share-based Payment.
4. Provision for warranty	**Area of focus (refer also to notes 3.14, 4 & 30)** The Group provides a warranty for products that have been sold that are defective. AASB 137 Provisions, Contingent Liabilities and Contingent Assets requires a provision to be recognised when; — An entity has a present obligation (legal or constructive) as a result of a past event; — It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and — A reliable estimate can be made of the amount of the obligation. The completeness and measurement of the provision for warranty is a key audit matter given the estimate and judgement required in the determination of the expected number of warranty returns and costs involved.	**How our audit addressed the key audit matter** Our audit procedures included: — Discussions with management and documentation of the process as to how information in relation to the provision for warranty is captured; — Reviewing the warranty period and applicable sales volumes; — Reviewing historical data in relation to expected warranty returns; and — Analysing management's estimate of costs. We also assessed the appropriateness of disclosures as required by *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001,* and

for such internal control as the directors determine is necessary to enable the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

WilliamBuck
ACCOUNTANTS & ADVISORS

Report on the Remuneration Report

Our opinion on the Remuneration Report

In our opinion, the Remuneration Report of Spacetalk Limited, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

What was audited?

We have audited the Remuneration Report included in pages 17 to 24 of the directors' report for the year ended 30 June 2024.

Responsibilities

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

William Buck

William Buck (SA)

ABN 38 280 203 274

M.D. King

Partner

Dated 30th September 2024

Auditor's Independence Declaration To the directors of Spacetalk Ltd

WilliamBuck
ACCOUNTANTS & ADVISORS

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

To the Directors of Spacetalk Limited

As lead auditor for the audit of Spacetalk Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

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

William Buck

William Buck (SA)
ABN: 38 280 203 274

M. D. King
Partner

Dated 30th September 2024

Level 6, 211 Victoria Square, Adelaide SA 5000
GPO Box 11050, Adelaide SA 5001

+61 8 8409 4333

sa.info@williambuck.com
williambuck.com

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2024

Figures in $	**Notes**	**2024**	**2023**
Revenue from continuing operations	5	17,913,058	13,455,483
Cost of sales	6	(8,864,518)	(6,621,702)
Gross profit		**9,048,540**	**6,833,781**
Expenses from continuing operations			
Allowance for expected credit loss		(117,462)	-
Corporate and administration		(3,716,276)	(3,902,201)
Advertising and marketing		(1,391,376)	(703,969)
Employee benefits expense		(8,414,930)	(5,706,284)
Impairment of assets	6	(29,175)	(3,230,415)
Cost relating to debt restructuring		(191,954)	(3,376,275)
Fair value gain on fair value of derivatives		719,634	1,714,052
Loss on foreign exchange		(114,354)	(45,163)
Total expenses from continuing operations		**(13,255,893)**	**(15,250,255)**
Loss from continuing operations before depreciation and amortisation, interest and income tax expense		**(4,207,353)**	**(8,416,474)**
Depreciation and amortisation expense	6	(912,459)	(1,782,751)
Loss from continuing operations before interest and income tax expense		**(5,119,812)**	**(10,199,225)**
Interest expense		(576,241)	(614,965)
Loss from continuing operations before income tax expense		**(5,696,053)**	**(10,814,190)**
Income tax expense	7	-	(249,976)
Loss after income tax expense from continuing operations		**(5,696,053)**	**(11,064,166)**
Loss after income tax expense from discontinued operations	21	(540,237)	(3,620,594)
Loss after income tax expense for the year attributable to the owners of Spacetalk Limited		**(6,236,290)**	**(14,684,760)**

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2024

Figures in $	Notes	2024	2023
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(108,139)	59,967
Other comprehensive loss/(profit) for the year, net of tax		**(108,139)**	**59,967**
Total comprehensive loss for the year attributable to the owners of Spacetalk Limited		**(6,344,429)**	**(14,624,793)**
Total comprehensive loss for the year is attributable to:			
Continuing operations		(5,804,192)	(11,004,199)
Discontinued operations		(540,237)	(3,620,594)
		(6,344,429)	**(14,624,793)**
Earnings per share from continuing and discontinuing operations attributable to owners of Spacetalk Limited			
Basic and diluted earnings per share (cents)			
Basic and diluted loss per share from continuing operations	8	(1.32)	(4.29)
Basic and diluted loss per share from discontinuing operations		(0.13)	(1.40)
Total basic and diluted loss per share		**(1.45)**	**(5.69)**

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

Consolidated Statement of Financial Position

As at 30 June 2024

Figures in $	Notes	2024	2023
Assets			
Current assets			
Cash and cash equivalents	17	1,770,292	3,026,165
Trade and other receivables	18	1,104,217	2,765,019
Inventories	19	1,516,742	2,592,650
Current tax assets		-	-
Other current assets	20	965,473	581,094
Total current assets		**5,356,724**	**8,964,928**
Non-current assets			
Property, plant and equipment	23	112,005	102,148
Right-of-use assets	24	197,660	322,884
Intangible assets	25	2,192,517	1,584,903
Total non-current assets		**2,502,182**	**2,009,935**
Total assets		**7,858,906**	**10,974,863**
Liabilities			
Current liabilities			
Trade and other payables	28	2,791,586	2,288,328
Contract liabilities	29	2,053,121	1,409,440
Provisions	30	1,227,585	2,110,642
Derivative liabilities	31	418,925	946,605
Lease liabilities	32	128,753	98,949
Borrowings	33	5,000,000	-
Total current liabilities		**11,619,970**	**6,853,964**
Non-current liabilities			
Provisions	30	22,320	-
Lease liabilities	32	78,936	228,372
Borrowings	33	-	5,000,000
Total non-current liabilities		**101,256**	**5,228,372**
Total liabilities		**11,721,226**	**12,082,336**
Net assets/ liabilities		**(3,862,320)**	**(1,107,473)**
Equity			
Issued capital	26	40,801,715	37,892,503
Accumulated losses		(45,539,432)	(39,303,142)
Reserves	27	875,397	303,166
Total equity/(deficiency)		**(3,862,320)**	**(1,107,473)**

The above Consolidated Statement of Financial Position should be read in conjunction with the attached notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2024

Figures in $	Issued capital	Foreign currency translation reserve	Share based payment reserve	Accumulated loss	Total
Balance at 1 July 2022	28,064,477	94,038	6,816,803	(24,618,382)	10,356,936
Changes in equity					
Loss for the year	-	-	-	(14,684,760)	(14,684,760)
Other comprehensive income	-	59,967	-	-	59,967
Total comprehensive income for the year	-	59,967	-	(14,684,760)	(14,624,793)
Transactions with owners in their capacity as owners					
Shares issued	2,777,309	-	-	-	2,777,309
Conversion of rights to shares	319,632	-	(319,632)	-	-
Cost of shares issued	(139,160)	-	-	-	(139,160)
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	**37,892,503**	**154,005**	**149,161**	**(39,303,142)**	**(1,107,473)**
Balance at 1 July 2023	37,892,503	154,005	149,161	(39,303,142)	(1,107,473)
Changes in equity					
Loss for the year	-	-	-	(6,236,290)	(6,236,290)
Other comprehensive income	-	(108,139)	-	-	(108,139)
Total comprehensive income for the year	-	(108,139)	-	(6,236,290)	(6,344,429)
Transactions with owners in their capacity as owners					
Shares issued	3,389,409	-	-	-	3,389,409
Conversion of rights to shares	120,017	-	(120,017)	-	-
Cost of shares issued	(600,214)	-	376,965	-	(223,249)
Shares payable not issued	-	-	65,000	-	65,000
Employee rights expense	-	-	358,422	-	358,422
Balance at 30 June 2024	**40,801,715**	**45,866**	**829,531**	**(45,539,432)**	**(3,862,320)**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2024

Figures in $	Notes	2024	2023
Cash flows used in operations			
Cash receipts from customers		17,420,382	17,803,467
Cash paid to suppliers and employees		(19,889,649)	(20,327,704)
Interest paid		(368,931)	(693,647)
Income taxes paid		(31,660)	(237,129)
Net cash flows used in operating activities	17.2	**(2,869,858)**	**(3,455,013)**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(32,997)	(7,081)
Purchase of intangible assets		(1,400,464)	(1,660,899)
Cash flows used in investing activities		**(1,433,461)**	**(1,667,980)**
Cash flows from financing activities			
Proceeds from issue of shares		3,166,220	2,777,309
Costs associated with issue of shares		-	(117,802)
Repayments of lease liabilities		(119,632)	(164,375)
Cash flows from financing activities		**3,046,588**	**2,495,132**
Net decrease in cash and cash equivalents before effect of exchange rate changes		**(1,256,731)**	**(2,627,861)**
Effect of exchange rate changes on cash and cash equivalents		858	76,938
Net decrease in cash and cash equivalents		**(1,255,873)**	**(2,550,923)**
Cash and cash equivalents at beginning of the year		3,026,165	5,577,088
Cash and cash equivalents at end of the year	17	**1,770,292**	**3,026,165**

The Group has elected to present a statement of cash flows that analyses all cash flows in total - i.e. including both continuing and discontinuing operations. Refer to note 21 for details on cash flows from discontinuing operations.

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

Notes to the Financial Statements

For the year ended 30 June 2024

1. GENERAL INFORMATION

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

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

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

The financial statements were authorised for issue by the Directors on 30 September 2024.

Spacetalk Limited (the Company) is a limited Company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described on page 10 of the Annual Report.

2. APPLICATION OF NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

3. MATERIAL ACCOUNTING POLICY INFORMATION

3.1 BASIS OF PREPARATION

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

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

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

3.2 GOING CONCERN

The Group reported a net asset deficiency of $3,862,320 as at 30 June 2024 and recorded a net loss of $6,236,290 (2023: loss $14,684,760) for the year then ended. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Despite these conditions, the Directors have prepared the financial statements on a going concern basis as the Group has undertaken significant actions post-balance date to improve its financial position. The Directors believe the Group has sufficient resources to meet its obligations for at least 12 months from the date of signing these financial statements.

Key Developments After 30 June 2024:

Capital Raise:

The Company initiated a capital raise with a minimum subscription target of $2,664,635 and a maximum subscription target of $4,196,766, comprising an Institutional Entitlement Offer, Placement, and Retail Entitlement Offer. To date, the Placement and Institutional Entitlement Offer have been successfully completed and were oversubscribed, raising approximately $1.7 million (before costs).

This capital will be used to fund inventory purchases, costs associated with data led growth marketing, product development (including the Adventurer 3 device), and costs of the offers.

Borrowing Facility Extension:

On 31 July 2024, Spacetalk successfully refinanced and extended its borrowing facility, providing additional financial flexibility. While the facility has a total loan balance of $5 million, only $1 million is payable within the next 12 months, significantly reducing near-term obligations. See note 33 for further details.

Business Assumptions Supporting Going Concern:

Revenue Growth through Product and Market Expansion:

The Group expects to grow revenue in FY25 by leveraging a multi-platform growth strategy. This includes developing new products such as the Adventurer 3 watch and expanding into Europe and North America.

Increased Customer Lifetime Value:

By evolving Spacetalk's hardware offerings and expanding the Spacetalk App, the Company aims to retain customers as they grow older, from early childhood wearables to mobile phones and beyond. This positions Spacetalk as a family-focused technology platform, capturing long-term customer loyalty across various age groups.

Seniors Market Development:

The introduction of the Life MPERS wearable, aimed at supporting seniors to age safely at home, represents a significant opportunity. The roadmap also includes B2B AI software to predict health risks based on wearable sensor data.

Targeted Marketing and Customer Engagement:

The Company is developing a Customer Data Platform (CDP) to leverage its extensive database of family and customer data, allowing for personalised marketing and enhanced customer retention.

Cost Flexibility and Operational Efficiency:

The Group has implemented a flexible cost structure that can be adjusted as needed. This ensures the ability to control costs based on performance outcomes, maintaining operational stability and preserving liquidity. Furthermore, the Group forecasts to meet the specific EBITDA and cash balance covenants required by its borrowing facility, providing confidence in continued compliance with financial obligations.

Warrant and Option Proceeds:

Although not factored into the immediate forecasts, the exercise of existing options and warrants could provide additional capital. These have strike prices ranging from 2.3c to 6.0c, with expiry dates between December 2024 and December 2026, offering further potential liquidity.

Scenario Planning

In line with prudent financial management practices, the Group has prepared various revenue shortfall scenarios to assess the potential impact of underperformance. Management has identified several cost-cutting measures, both discretionary and nondiscretionary, that can be flexibly implemented to maintain financial stability.

The Directors believe the preparation of the financial report on a going concern basis is appropriate. Over the last 12 months, there has been a significant improvement in the underlying business, with gross profit increasing from $6.8 million in FY23 to $9.0 million in FY24 (a 32% increase), while reducing costs and improving operational efficiency. This momentum, combined with the successful capital raise, the extension of borrowing facilities, and management's cost-control measures, provides assurance that the Group will continue as a going concern and meet its obligations.

Should the Group not achieve its forecast revenue, raise the forecast capital, comply with its covenants or reduce expenditure commensurately if required, it may be unable to realise its assets and discharge its liabilities in the normal course of business. No adjustments to the carrying amount of assets and liabilities have been made should the Group not continue as a going concern.

3.3 BASIS OF CONSOLIDATION

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

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

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

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

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

3.4 REVENUE RECOGNITION

The Group recognises revenue from the following major sources:

- Sale of goods
- App subscriptions
- MVNO subscriptions
- School messaging services and subscriptions

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

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

School messaging services, App subscriptions and MVNO subscriptions

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

3.5 FOREIGN CURRENCY TRANSLATION

Functional and presentation currencies

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

Transactions and balances

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

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

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

Translation

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

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

3.6 GOVERNMENT GRANTS

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

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

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

3.7 TAXATION

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred Tax

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

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

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

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

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

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

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

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

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

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

Research and development tax incentive refund

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

Goods and Services Tax

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

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

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

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

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

3.8 PLANT AND EQUIPMENT

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

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

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

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

3.9 INTANGIBLES

Intangible assets acquired separately

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

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

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

Internally generated intangible assets - research and development

Research costs are expensed when incurred. Any costs that cannot be reliably split between research and development are also expensed when incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project, which is generally 3 years.

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

Impairments of non-financial assets

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

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

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

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

3.10 FINANCIAL INSTRUMENTS

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

Classification of financial assets

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

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

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

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

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

Amortised cost and effective interest method

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

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

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

Derecognition of financial assets

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

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

Impairment of financial assets

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

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

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

Financial liabilities and equity

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

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

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

Derecognition of financial liabilities

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

Equity instruments

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

3.11 DISCONTINUED OPERATIONS

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income, for all periods presented.

3.12 DERIVATIVE FINANCIAL INSTRUMENTS

Hedges of a net investment in a foreign operation include monetary items that are considered part of the net investment. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity whilst gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

3.13 CONTRACT LIABILITIES

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

3.14 PROVISIONS

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

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

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

3.15 EMPLOYEE BENEFITS

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

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

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

3.16 LEASES

Group as lessee

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

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

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

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

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

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

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

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

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

3.17 SHARE-BASED PAYMENTS

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

3.18 ISSUED CAPITAL

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

3.19 EARNINGS PER SHARE

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Research and development

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

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

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

Key sources of uncertainty

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

Recoverability of internally generated intangible asset

During the year, the Directors reconsidered the recoverability of the Group's internally generated intangible asset arising from its technological development and distribution rights, which is included in the consolidated statement of financial position at 30 June 2024 at $2.2M (30 June 2023: $1.6M). The intangible asset is amortised over three years (2023: impairment loss of $2.2M), in relation to internally generated intangible assets.

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

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

Key estimates

Impairment

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

An impairment of $28,755 (2023: $2,245,682) was recognised in respect of intangible assets in the current year as future benefits were assessed to be lower than the carrying value of the assets.

For the year ended 30 June 2024, impairment indicators were identified, and an impairment test was conducted. A discount rate of 12% and cash flow projections over a three-year period were used in the calculation. A sensitivity analysis was performed to assess the impact of changes in these assumptions. For further details on the key assumptions and the impairment results, refer to note 25 Intangible assets.

Provision for impairment of receivables

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

A provision for doubtful debts of $51,442 (2023: $11,000) has been recognised for the year ended 30 June 2024.

Research and development tax incentive refund

The estimated amount recognised is based on detailed analysis of expenditure incurred. The actual amount to be claimed is finalised after completion of the current year's financial report and preparation of the Group's income tax return. No amount has been accrued for the 2024 financial year.

Warranty provision

In determining the level of provision required for warranties the consolidated entity has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Net realisable value of inventories

The net realisable value of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Determination of variable consideration

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the consolidated entity where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or BlackScholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Notes to the Financial Statements

For the year ended 30 June 2024

5. REVENUE

Figures in $	2024	2023
5.1 REVENUE COMPRISES:		
Device sales	8,235,326	6,082,372
App subscriptions revenue	2,892,112	3,812,515
Sundry income	21,353	69,057
Grants received	410,656	32,945
Mobile virtual network operator income	4,523,291	1,361,879
Schools' revenue	1,830,320	2,096,715
Total revenue	**17,913,058**	**13,455,483**
5.2 TIMING OF REVENUE RECOGNITION		
Recognised at a point in time	8,667,335	6,184,374
Recognised over time	9,245,723	7,271,109
	17,913,058	**13,455,483**

Refer to note 9 (segment note) for further details on the disaggregation of revenue.

6.EXPENSES

Expenses comprise:

	2024	2023
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS INCLUDES THE FOLLOWING SPECIFIC EXPENSES:		
Cost of sales	8,864,518	6,621,702
Depreciation		
Leasehold improvements	401	3,996
Plant and equipment	22,739	24,251
Building right-of-use assets	125,224	155,393
Total depreciation	**148,364**	**183,640**
Amortisation		
Distribution rights	-	12,421
Capitalised development costs	764,095	1,586,690
Total amortisation	**764,095**	**1,599,111**
Total depreciation and amortisation	**912,459**	**1,782,751**

Figures in $	2024	2023
Impairment		
Property, plant and equipment	-	98,657
Intangible assets	28,755	2,245,682
Inventory	420	886,076
Total impairment	**29,175**	**3,230,415**
Leases		
Short-term lease payments	-	29,430
Superannuation expense		
Defined contribution superannuation expense	631,427	498,955
Share-based payments expense		
Share-based payments expense	358,422	(79,236)

7. INCOME TAX EXPENSE

Figures in $	2024	2023
Current tax expense	31,660	(80,712)
Deferred tax - origination and reversal of temporary differences	-	-
Research and development tax offset	-	249,976
Adjustment recognised in the current year in relation to the current tax of prior years	-	-
Aggregate income tax expense	**31,660**	**169,264**
Income tax expense is attributable to:		
Loss from continuing operations	-	249,976
Loss from discontinued operations	31,660	(80,712)
Aggregate income tax expense	**31,660**	**169,264**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense from continuing operations	(5,696,053)	(10,814,190)
Loss before income tax (expense)/benefit from discontinued operations	(508,577)	(3,701,306)
	(6,204,630)	**(14,515,496)**
Tax at the statutory tax rate of 25%	**(1,551,158)**	**(3,628,874)**
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development tax offset	-	249,976
Tax losses not recognised	1,551,158	3,628,874
(Over)/under provision of prior year income tax	31,660	(80,712)
Other	-	-
	31,660	**169,264**
Adjustments recognised in the current year in relation to the current tax of prior year	-	-
Adjustments recognised in the current year in relation to the deferred tax loss not recognised	-	-
Income tax expense	**31,660**	**169,264**

Figures in $	2024	2023
Deferred tax assets not recognised comprises temporary differences attributable to:		
Allowance for expected credit losses	-	2,750
Other provisions	74,690	-
Property,plant and equipment	15,022	18,720
Lease liabilities	51,922	81,830
Distribution rights	110,254	110,254
Trade payables/accrued expenses	124,805	157,511
Provision for employee entitlements	80,773	64,643
Right-of-use assets	(49,415)	(80,721)
Income tax losses	1,899,278	348,120
Intangible assets	291,867	557,957
Capital raising costs	113,344	88,125
Total deferred tax assets not recognised	**2,712,540**	**1,349,189**

The above potential tax benefit, which includes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Deferred tax liability	-	-
Movements:		
Opening balance	-	1,063
Charged to profit or loss	-	-
Adjustments	-	(1,063)
Closing balance	-	-

8. EARNINGS PER SHARE

Basic earnings per share

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

Loss for the year attributable to owners of the company for continuing operations	(5,696,053)	(11,064,166)
Loss for the year from discontinued operations	(540,237)	(3,620,594)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	429,984,754	257,940,241
Adjustment for calculation of diluted earnings per share	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	429,984,754	257,940,241
Earnings per share (cents) from continuing operations attributable to owners of Spacetalk Limited		
Basic loss per share from continuing operations	(1.32)	(4.29)
Diluted loss per share from continuing operations	(1.32)	(4.29)

Figures in $	2024	2023
Earnings per share (cents) from discontinuing operations attributable to owners of Spacetalk Limited		
Basic loss per share from discontinuing operations	(0.13)	(1.40)
Diluted loss per share from discontinuing operations	(0.13)	(1.40)
Earnings per share (cents) for loss		
Basic loss per share attributable to the owners of Spacetalk Ltd	(1.45)	(5.69)
Diluted loss per share attributable to the owners of Spacetalk Ltd	(1.45)	(5.69)

Performance rights granted to employees under the Company's incentive plan are considered to be potential ordinary shares. Options granted by the Company are considered to be potential ordinary shares. They have not been included in the determination of diluted earnings per share because their conversion to ordinary shares would not increase loss per share, being antidilutive in nature.

9 SEGMENT REVENUES AND RESULTS

9.1 PRODUCTS AND SERVICES FROM WHICH REPORTABLE SEGMENTS DERIVE THEIR REVENUES

Factors used to identify the entity's reportable segments, including the basis of organisation (for example, whether management has chosen to organise the entity around differences in products and services, geographical areas, regulatory environments, or a combination of factors and whether operating segments have been aggregated).

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

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

Devices	Device segments supply the 'Spacetalk' smartwatches through retail distribution networks and online sales.
Schools	The schools segment provides school messaging services and licence fees to various schools.
MVNO	MVNO (Mobile Virtual Network Operator) segment sells mobile services under the 'Spacetalk' brand name using the network of a licensed mobile operator.
Apps	Apps segment supply the 'Spacetalk' smartwatches customers the device agnostic (open) mobile application products.
Corporate	'Corporate' is the aggregation of the Group's other various sundry income and expenses in the corporate level.

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

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

Refer to note 21 for details of discontinued operations during the current financial year.

9.2 SEGMENT REVENUES AND RESULTS

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

Year ended 30 June 2024	**Total segment revenue**	**Other revenue**	**Revenue from external customers**
Devices	8,235,326	-	**8,235,326**
Schools	1,830,320	-	**1,830,320**
MVNO	4,523,291	-	**4,523,291**
Apps	2,892,112	-	**2,892,112**
Corporate	-	432,009	**432,009**
Total segment revenues	**17,481,049**	**432,009**	**17,913,058**
Year ended 30 June 2023			
Devices	6,082,372	-	**6,082,372**
Schools	2,096,715	-	**2,096,715**
MVNO	1,361,879	-	**1,361,879**
Apps	3,812,515	-	**3,812,515**
Corporate		102,002	**102,002**
Total segment revenues	**13,353,481**	**102,002**	**13,455,483**

9.3 GROSS PROFIT

	Gross profit for the year 2024	**Gross profit for the year 2023**
Year ended 30 June		
Devices	2,422,457	1,091,210
Schools	1,761,168	1,977,891
MVNO	1,983,675	726,716
Apps	2,458,775	2,935,962
Corporate	422,465	102,002
Total gross profit	**9,048,540**	**6,833,781**

Segment profit / (loss) before discontinued operations and tax	Segment total assets	Segment total liabilities
Year ended 30 June 2024		
Corporate	7,858,906	(11,721,226)
Total assets and liabilities	**7,858,906**	**(11,721,226)**
Year ended 30 June 2023		
Corporate	10,974,863	(12,082,336)
Total assets and liabilities	**10,974,863**	**(12,082,336)**

Geographical information	2024	2023
Australasia	16,701,447	13,043,577
Rest of world	1,211,611	411,906
	17,913,058	**13,455,483**

Segment revenue reported above represents revenue generated from external customers by each service or product.

Information about major customers

Included in revenues arising from Australasia are revenues of approximately $2.8 million and $2.4 million (2023 $2.1 million and $1.9 million) which arose from sales to the Group's two largest customers. No other single customers contributed 10% or more to the Group's revenue in either 2024 or 2023.

10 FINANCIAL INSTRUMENTS

10.1 CAPITAL MANAGEMENT

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

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

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

10.2 GEARING RATIO

	2024	2023
The gearing ratio at the end of the period was as follows:		
Lease liabilities	207,689	327,321
Borrowings	5,000,000	5,000,000
Warrant liability	418,925	946,605
Net Debt	**5,626,614**	**6,273,926**
Equity	(3,862,320)	(1,107,473)
Net debt to equity ratio	**-146%**	**-567%**

10.3 FINANCIAL RISK MANAGEMENT

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

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Group does not speculate in the trading of derivative instruments. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

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

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

10.4 INTEREST RATE RISK

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

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

	2024	2023
Cash and cash equivalents (interest-bearing accounts)	1,770,292	3,026,165

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

Post tax profit - higher/(lower)	8,851	15,130
Equity - higher/(lower)	8,851	15,130

10.5 LIQUIDITY RISK

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

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

The risk implied from the values shown in the table below reflects a balanced view of cash inflows and outflows within the 2024 financial period.

2024	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,791,586	-	-	-	2,791,586
Interest bearing - fixed rate						
Other loans	9.50%	5,000,000	-	-	-	5,000,000
Lease liabilities	3.70%	128,753	78,936	-	-	207,689
Total non-derivatives	**-**	**7,920,339**	**78,936**	**-**	**-**	**7,999,275**
Derivatives						
Warrants	-	418,925		-	-	418,925
Total derivatives	**-**	**418,925**	**-**	**-**	**-**	**418,925**

2023	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	$	$	$	$	$
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,245,616	-	-	-	2,245,616
Interest bearing - fixed rate						
Other loans	9.50%	-	2,000,000	3,000,000	-	5,000,000
Lease liabilities	3.70%	98,949	149,437	78,935	-	327,335
Total non-derivatives	**-**	**2,344,565**	**2,149,437**	**3,078,935**	**-**	**7,572,951**
Derivatives						
Warrants	-	946,605	-	-	-	946,605
Total derivatives	**-**	**946,605**	**-**	**-**	**-**	**946,605**

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

10.6 CREDIT RISK

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

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

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

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

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

10.7 FOREIGN CURRENCY RISK

As a result of operations in the USA, being denominated in USD, operations in New Zealand being denominated in NZD, and operations in the United Kingdom being denominated in GBP, the Group's balance sheet can be affected by movements in the respective AUD exchange rates. The Company does not hedge this exposure.

In the reporting period the Group's volume of transactions in NZ currency was low and immaterial. The US and UK operations were discontinued during the year ended 30 June 2023.

The Group manages its foreign exchange risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring appropriate cash balances are maintained in USD, NZD and GBP, to meet current operational commitments.

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

10.8 FAIR VALUE

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

11 SHARE BASED PAYMENTS

There were a number of employee rights granted during the year. The performance rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration Committee. The vesting of performance rights is contingent on achieving 80-125% of a $12m ARR target, positive free cash flow from 1 January to 30 June 2024 and delivering the Company's strategic objectives for FY24. Note that exercise price and dividend yields are nil. The valuation model inputs used to determine the fair value as at grant date were as follows:

Grant date	Expire date	Share price at grant date	Exercise price	Performance right life in years	Dividend yield	Fair value at grant date	Number of performance rights	Vesting date
15/09/2023	15/09/2028	$0.021	$0.00	0.01	$0.00	$0.021	1,750,000	18/09/2023
16/11/2023	16/11/2028	$0.019	$0.00	0.01	$0.00	$0.019	3,000,000	18/11/2023
16/11/2023	16/11/2028	$0.019	$0.00	0.02	$0.00	$0.019	877,194	23/11/2023
16/11/2023	16/11/2028	$0.019	$0.00	0.79	$0.00	$0.019	20,769,231	31/07/2024
10/01/2024	10/01/2029	$0.028	$0.00	0.56	$0.00	$0.028	40,662,785	31/07/2024
07/03/2024	07/03/2029	$ 0.023	$0.00	0.40	$0.00	$0.023	1,098,082	31/07/2024

Please note that all of the above have no exercise price or dividend yield.

The expense in relation to these equity-settled share-based payment transactions have been included in profit and loss and credited to share based payment reserve. During the period, an expense of $358,422 has been recorded in relation to new and existing performance rights. The performance rights that were issued during the year were valued at the prevailing share market price on grant date.

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

	Number of rights 2024	Weighted average exercise price 2024	Number of rights 2023	Weighted average exercise price 2023
Outstanding at the beginning of the financial year	4,917,999	-	10,618,000	-
Adjustments to opening balance	-	-	(2,795,000)	-
Granted	68,157,292	-	12,008,597	-
Forfeited/lapsed	(21,739,855)	-	(10,403,332)	-
Exercised	(5,687,194)	-	(4,510,266)	-
Expired	-	-	-	-
Outstanding at the end of the financial year	**45,648,242**	**-**	**4,917,999**	**-**

The adjustment to the opening balance in 2023 related to a prior year misreported opening balance of outstanding performance rights.

On 21 November 2023, the Company issued a total of 42,636,364 options to the underwriters and lead manager in connection with the capital-raising activities. These options were issued as part of equity-settled share-based payments, with the terms as outlined below:

- Number of Options Granted: 42,636,364
- Exercise Price: $0.035 per option
- Grant Date: 16 November 2023
- Expiry Date: 22 September 2025
- Fair Value of Options at Grant Date: $0.009 per option

The options were issued as part of the remuneration for services provided in facilitating the capital raise and are treated as capital-raising expenses. The fair value of these options was calculated using the Black-Scholes option pricing model, and the following key assumptions were applied:

Assumptions	Value
Expected Volatility (%)	117%
Risk-Free Interest Rate (%)	4%
Expected Life of Options (years)	1.85 years
Dividend Yield (%)	0%
Fair Value per Option ($)	$0.009

Equity Transaction Costs

In accordance with AASB 132, the total fair value of the options granted to the underwriters and lead manager, amounting to $376,965, has been recognized as capital-raising expenses and deducted from equity. These expenses were directly offset against the equity proceeds from the capital raise and were not included in the statement of profit or loss.

12. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2024	2023
Short-term benefits	1,265,211	1,337,584
Post-employment benefits	90,784	111,331
Termination benefits	76,154	322,740
Share-based payments	309,273	(129,465)
	1,741,422	**1,642,190**

Loans with key personnel

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

13. RELATED PARTY TRANSACTIONS

Subsidiaries

The consolidated financial statements include the financial statements of Spacetalk Limited and the subsidiaries that are listed in the table in note 22.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 22.

The Group holds intercompany loans between its Australian holding entity and its foreign subsidiaries, including those in the US and UK. These loans are primarily intended to support operational liquidity within the group.

As of 30 June 2024, these loans are classified as working capital loans, with settlement planned in the foreseeable future. In the prior year, foreign exchange differences on certain intercompany loans were treated differently but have now been aligned with current policy and intentions. Consistent with the requirements of AASB 121 The Effects of Changes in Foreign Exchange Rates, foreign exchange differences arising from these loans have been recognised in profit or loss, as the loans do not meet the criteria for classification as part of a net investment in a foreign operation.

During the financial year, the Group recognised foreign exchange losses totalling $114,354 related to these intercompany loans. These FX movements have been recorded in the income statement, reflecting the Group's ongoing actions to repay these loans through operational cash flows.

No foreign exchange differences relating these loans were recognised in the Foreign Currency Translation Reserve (FCTR) during the reporting period, as the intercompany loans are expected to be settled in the foreseeable future.

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

Tax consolidation

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

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

Other equity interests

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

Transactions with related parties

As at 30 June 2024, all transactions that have occurred among the subsidiaries within the Group have been eliminated for consolidation purposes.

During the period, there were no related party transactions. During the 2023 financial year $93,253 was paid to a family relative of Mark Fortunatow for administration services.

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

14. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	2024	2023
Profit after income tax	-	-
Total comprehensive income	**-**	**-**
Statement of financial position	-	-
Total current assets	-	-
Total non-current assets	30,081,068	30,081,068
Total assets	**30,081,068**	**30,081,068**
Total current liabilities	-	-
Total liabilities	-	-
Issued capital	37,892,503	37,892,503
Accumulated losses	(7,811,435)	(7,811,435)
Total equity	**30,081,068**	**30,081,068**

No contingent assets or liabilities existed at year end.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

There are no guarantees entered into in relation to debt for any subsidiaries.

Material accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, and as per the 2023 annual financial statements, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an - indicator of an impairment of the investment.

15. REMUNERATION OF THE AUDITORS

During the financial year the following fees were paid or payable for services provided by William Buck (SA), the auditor of the company:

	2024	2023
Audit and review of financial statements	115,000	64,000

During the year no non-assurance services have been provided by William Buck (SA).

16. EVENTS AFTER THE REPORTING PERIOD

The following material event occurred after year end.

Restructure of the debt facility

On 31 July 2024, Spacetalk successfully refinanced and extended its loan facility with Pure Asset Management, securing more favourable terms and extended repayment periods, providing significant financial flexibility to support the company's strategic growth initiatives.

Key terms:

- Interest Rate: Remains at 9.50%.
- Maturity Date: Extended to March 2027.
- Minimum Cash covenant: Cash on hand of $750,000 to be maintained at all times
- EBITDA Covenant: Specific targets to be met quarterly from 31 March 2025 onwards.

Amortisation Schedule:

- March 2025: Repay $1,000,000, leaving a total loan balance of $4,000,000.
- September 2025: Repay $750,000, leaving a total loan balance of $3,250,000.
- March 2026: Repay $1,000,000, leaving a total loan balance of $2,250,000.
- March 2027: Repay $2,250,000, fully repaying the loan.

Capital Raising

On 16 September 2024, the Group initiated a partially underwritten $3.2 million equity raising to fund the purchase of inventory, data-led growth marketing, and new product development, including the Adventurer 3 device, the Spacetalk App, Life 2 device, related software and firmware, and associated costs of the Offers.

The equity raising comprises:

- An Institutional Entitlement Offer and Placement, which were oversubscribed, raising approximately $1.6 million.
- A Retail Entitlement Offer, which is expected to raise approximately $1.7 million before costs.

Other than the matters outlined above, no other material matters or circumstances have arisen since 30 June 2024 that have 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.

17. CASH AND CASH EQUIVALENTS

17.1 CASH AND CASH EQUIVALENTS INCLUDED IN CURRENT ASSETS:

	2024	2023
Cash and bank balances	1,770,292	3,026,165

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.

17.2 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

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

Cash flows from operating activities

	2024	2023
Loss for the year	(6,236,290)	(14,684,760)
Adjustments for:		
Depreciation and amortisation	912,459	1,782,751
Impairment losses on intangibles, PPE and Inventory	29,175	4,373,232
Fair value gain on derivatives	(719,634)	(1,714,052)
Cost relating to debt restructuring	191,954	3,376,275
Other non-cash movements	-	(625,029)
Gains and losses on foreign exchange realised in profit or loss	114,354	-
Share-based payments	358,422	(79,236)
Change in operating assets and liabilities:		
(Decrease)/increase in income tax liability	31,660	(80,712)
Decrease in R&D tax incentive	-	249,976
Adjustments for decrease in inventories	1,075,809	2,763,409
Adjustments for decrease in trade accounts receivable	1,770,595	798,027
Adjustments for increase in other assets	(384,379)	11,453
Adjustments for decrease in trade accounts payable	(196,927)	(315,187)
Adjustments for increase in contract liabilities	643,681	700,231
Adjustments for provisions	(460,737)	(11,391)
Net cash flows used in operations	**(2,869,858)**	**(3,455,013)**

18.TRADE AND OTHER RECEIVABLES

18.1 TRADE AND OTHER RECEIVABLES COMPRISE:

	2024	2023
Trade receivables	908,442	2,703,360
Less: Allowance for expected credit losses	(51,442)	(11,000)
Trade receivables - net	857,000	2,692,360
Other receivables	247,217	72,659
Total trade and other receivables	**1,104,217**	**2,765,019**

18.2 TRADE RECEIVABLES - PAST DUE

Not due	809,298	2,451,112
Past due 0-30 days	212,204	34,963
Past due 31-60 days	16,178	34,972
Past due 61-90 days	32,007	14,544
Past due over 90 days	34,529	229,427
	1,104,217	**2,765,019**

18.3 MOVEMENT IN LOSS ALLOWANCE

At the beginning of the year	(11,000)	(67,252)
Increase/(decrease) in allowance attributable to new sales	(40,442)	56,252
At the end of the year	**(51,442)**	**(11,000)**

19. INVENTORIES

Finished goods	1,516,742	2,592,650

The cost of inventories recognised as an expense during the year in respect of continuing operations was $5,518,045 (2023: $5,009,114). 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.

Inventory of $420 was written off during the current year.

20. OTHER CURRENT ASSETS

Prepayments	965,473	581,094
Total	**965,473**	**581,094**

21. DISCONTINUED OPERATIONS

During the previous 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 FY24 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.

	2024	2023
Financial information relating to the discontinued operation is disclosed below:		
Device sales	-	2,038,244
Grants received	-	40,000
Sundry income	-	467
Total revenue	**-**	**2,078,711**
Cost of sales	-	(1,391,365)
Gross profit	**-**	**687,346**
Gain/(loss) on disposal of assets	7,177	(10,658)
Corporate and administration expenses	(463,475)	(925,647)
Advertising & marketing	(51,545)	(789,994)
Employee expenses	-	(1,541,137)
Foreign exchange (loss)/gain	(734)	10,944
Impairment of inventory	-	(1,132,160)
Loss before tax	**(508,577)**	**(3,701,306)**
Income tax	(31,660)	80,712
Loss for year	**(540,237)**	**(3,620,594)**
Cash flows from discontinued operations		
Net cash flows used in operating activities	(597,999)	(246,110)
Net cash flows from financing activities	-	694,036
Net (decrease)/increase in cash and cash equivalents from discontinued operations	**(597,999)**	**447,926**

22. INTERESTS IN SUBSIDIARIES

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

Unlisted controlled entity	Country of incorporation	Date of acquisition or incorporation	Class of shares	30 June 2024	30 June 2023
MGM Wireless Holdings Pty Ltd	Australia	10/08/2003	Ordinary	100%	100%
Message You LLC1	USA	11/09/2006	Ordinary	100%	100%
Spacetalk (NZ) Pty Ltd	Australia	18/05/2010	Ordinary	100%	100%
Spacetalkwatch UK Ltd	United Kingdom	25/02/2019	Ordinary	100%	100%
Spacetalk Holdings Pty Ltd	Australia	29/06/2015	Ordinary	100%	100%
Spacetalk USA Pty Ltd	Australia	29/06/2015	Ordinary	100%	100%
Spacetalk LLC	USA	29/04/2021	Ordinary	100%	100%
Spacetalk Inc	USA	29/04/2021	Ordinary	100%	100%

The investments have been eliminated on consolidation.

23. PROPERTY, PLANT AND EQUIPMENT

Reconciliation for the year ended 30 June 2024

Balance at 1 July 2023	**Leasehold property**	**Plant and equipment**	**Total**
At cost	9,215	183,772	192,987
Accumulated depreciation	(3,985)	(86,854)	(90,839)
Carrying amount	**5,230**	**96,918**	**102,148**
Movements for the year ended 30 June 2024			
Additions	-	32,997	32,997
Depreciation	(401)	(22,739)	(23,140)
Property, plant and equipment at the end of the year	**4,829**	**107,176**	**112,005**
Closing balance at 30 June 2024			
At cost	9,215	222,053	231,268
Accumulated depreciation	(4,386)	(114,877)	(119,263)
Carrying amount	**4,829**	**107,176**	**112,005**
Reconciliation for the year ended 30 June 2023			
Balance at 1 July 2022			
At cost	217,601	518,789	736,390
Accumulated depreciation	(143,740)	(370,679)	(514,419)
Carrying amount	**73,861**	**148,110**	**221,971**
Movements for the year ended 30 June 2023			
Additions	-	7,081	7,081
Depreciation	(3,996)	(24,251)	(28,247)
Impairment loss recognised in profit or loss	(64,635)	(34,022)	(98,657)
Property, plant and equipment at the end of the year	**5,230**	**96,918**	**102,148**
Closing balance at 30 June 2023			
At cost	9,215	183,772	192,987
Accumulated depreciation	(3,985)	(86,854)	(90,839)
Carrying amount	**5,230**	**96,918**	**102,148**

24. RIGHT-OF-USE ASSETS

Balance at 1 July 2023	**Vehicles**	**Buildings**
At cost	-	726,562
Accumulated depreciation	-	(403,678)
Carrying amount	-	**322,884**
Movements for the year ended 30 June 2024		
Depreciation	-	(125,224)
Impairment loss recognised in profit or loss	-	-
Closing balance at 30 June 2024	-	**197,660**
At cost	-	375,116
Accumulated depreciation	-	(177,456)
Carrying amount	-	**197,660**
Balance at 1 July 2022		
At cost	33,176	691,379
Accumulated depreciation	(33,176)	(587,327)
Carrying amount	-	**104,052**
Movements for the year ended 30 June 2023		
Additions	-	374,225
Depreciation	-	(155,393)
Closing balance at 30 June 2023	-	**322,884**
At cost	-	726,562
Accumulated depreciation	-	(403,678)
Carrying amount	-	**322,884**

25. INTANGIBLE ASSETS

Reconciliation of changes in intangible assets

	Development costs	Distribution rights	Total
Reconciliation for the year ended 30 June 2024			
Balance at 1 July 2023			
At cost	22,460,737	441,017	22,901,754
Accumulated amortisation	(20,875,834)	(441,017)	(21,316,851)
Carrying amount	**1,584,903**	**-**	**1,584,903**
Movements for the year ended 30 June 2024			
Additions through internal development	1,400,464	-	1,400,464
Amortisation	(764,095)	-	(764,095)
Impairment loss recognised in profit or loss	(28,755)	-	(28,755)
Intangible assets at the end of the year	**2,192,517**	**-**	**2,192,517**
Closing balance at 30 June 2024			
At cost	24,243,941	-	24,243,941
Accumulated amortisation	(22,051,424)	-	(22,051,424)
Carrying amount	**2,192,517**	**-**	**2,192,517**
Reconciliation for the year ended 30 June 2023			
Balance at 1 July 2022			
At cost	20,799,837	441,017	21,240,854
Accumulated amortisation	(17,075,150)	(396,907)	(17,472,057)
Carrying amount	**3,724,687**	**44,110**	**3,768,797**
Movements for the year ended 30 June 2023			
Additions through internal development	1,660,899	-	1,660,899
Amortisation	(1,586,690)	(12,421)	(1,599,111)
Impairment loss recognised in profit or loss	(2,213,993)	(31,689)	(2,245,682)
Intangible assets at the end of the year	**1,584,903**	**-**	**1,584,903**
Closing balance at 30 June 2023			
At cost	22,460,737	441,017	22,901,754
Accumulated amortisation	(20,875,834)	(441,017)	(21,316,851)
Carrying amount	**1,584,903**	**-**	**1,584,903**

IMPAIRMENT TESTING OF INTANGIBLE ASSETS

The Group assesses intangible assets for impairment when indicators of impairment are identified. For the year ended 30 June 2024, impairment indicators were present, leading the Group to perform an impairment test on its intangible assets. Impairment testing is conducted by determining the recoverable amount of the Group's cash-generating unit (CGU), comprising its integrated hardware and software services, using discounted cash flow (DCF) projections over a 3-year forecast period.

KEY ASSUMPTIONS:

- Discount Rate: A rate of 12% was applied, reflecting the size and market risks of the business.
- Growth Assumptions: No growth beyond the 3-year forecast period was assumed.
- Cash Flow Projections: Cash flows are based on the most recent financial forecast.

SENSITIVITY ANALYSIS:

- Discount Rate Sensitivity: A 2% increase in the discount rate to 14% results in a recoverable amount still exceeding the carrying value.
- Revenue Growth Sensitivity: A 2% decrease in forecasted revenue, assuming a gross profit margin of 50%, would not result in impairment as the recoverable amount would still exceed the carrying value of the CGU.

As a result, an impairment loss of $28,755 was recognised during the year.

26. ISSUED CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

Movement in ordinary share capital

Details	Shares	$
Balance at 1 July 2022	**216,355,749**	**28,064,477**
Exercise of performance rights	4,510,266	319,632
Capital raised	79,376,924	2,777,309
Transfer of vested expired options to share capital	-	6,290,131
Warrant exercised	11,000,000	580,114
Share issue costs	-	(139,160)
Balance at 1 July 2023	**311,242,939**	**37,892,503**
Exercise of performance rights	5,687,194	120,017
Capital raised	154,091,276	3,389,409
Share issue costs	-	(600,214)
Balance at 30 June 2024	**471,021,409**	**40,801,715**

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.

27. RESERVES

	2024	2023
27.1 CLASSIFICATION OF RESERVES		
Share based payment reserve	829,531	149,161
Foreign currency translation reserve	45,866	154,005
Total reserves	**875,397**	**303,166**

27.2 MOVEMENT IN RESERVES

	Foreign currency transalation reserve	Share based payment reserve	Total
Balance at 1 July 2022	94,038	6,816,803	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	-	21,357	21,357
Balance at 30 June 2023	**154,005**	**149,161**	**303,166**
Balance at 1 July 2023	154,005	149,161	303,166
Foreign currency translation	(108,139)	-	(108,139)
Conversion of rights to shares	-	(120,017)	(120,017)
Capital raising costs	-	376,965	376,965
Share based payments expense	-	358,422	358,422
Shares payable not issued	-	65,000	65,000
Balance at 30 June 2024	**45,866**	**829,531**	**875,397**

27.3 NATURE AND PURPOSE OF RESERVES

The share-based payments reserve is used to accumulate amounts related to 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.

28. TRADE AND OTHER PAYABLES

	2024	2023
Trade and other payables comprise		
Trade payables	1,571,122	2,245,616
Income tax payable	7,841	7,832
Other payables	1,212,623	34,880
Total trade and other payables	**2,791,586**	**2,288,328**

29. CONTRACT LIABILITIES

Contract liabilities comprise		
Unearned income	2,053,121	1,409,440

Reconciliation

Reconciliation of the movement from the beginning and end of the current and previous financial year are set out below:

Opening balance	1,409,440	709,209
Payments received in advance	4,985,492	2,862,202
Transfers to revenue - included in the opening balance	(1,306,639)	(709,209)
Transfers to revenue - other balances	(3,035,172)	(1,452,762)
Closing balance	**2,053,121**	**1,409,440**

30. PROVISIONS

30.1 PROVISIONS COMPRISE: CURRENT OBLIGATION:		
Provisions for employee benefits	300,772	258,572
Other provisions	926,813	1,852,070
	1,227,585	**2,110,642**
Non-current obligation:		
Provisions for employee benefits	22,320	-
Non-current portion	**22,320**	**-**
	1,249,905	**2,110,642**

30.2 PROVISIONS FOR EMPLOYEE BENEFITS

	Employee benefit provision	Total
Balance at 1 July 2023	**258,572**	**258,572**
Other changes through other comprehensive income	64,520	64,520
Total changes	64,520	64,520
Balance at 30 June 2024	**323,092**	**323,092**
Balance at 1 July 2022	**-**	**-**
Other changes	258,572	258,572
Total changes	258,572	258,572
Balance at 30 June 2023	**258,572**	**258,572**

30.3 OTHER PROVISIONS

Provision for sales rebate	Provision for sales rebate	Provision for warranty	Provision sales discount/ returns/ marketing fund	Total
Balance at 1 July 2023	**503,007**	**848,969**	**500,094**	**1,852,070**
Reversed	-	(100,226)	-	(100,226)
Utilised	-	(208,250)	(2,705,715)	(2,913,965)
Raised	753,817	-	2,551,501	3,305,318
Paid	(1,216,384)	-	-	(1,216,384)
Total changes	(462,567)	(308,476)	(154,214)	(925,257)
Balance at 30 June 2024	**40,440**	**540,493**	**345,880**	**926,813**
Balance at 1 July 2022	**-**	**960,031**	**326,887**	**1,286,918**
Expensed	-	446,658	-	446,658
Reversed	-	(312,424)	-	(312,424)
Utilised	-	(245,296)	(1,976,549)	(2,221,845)
Raised	1,109,527	-	2,149,756	3,259,283
Paid	(606,520)	-	-	(606,520)
Balance at 30 June 2023	**503,007**	**848,969**	**500,094**	**1,852,070**

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.

31. DERIVATIVE LIABILITIES

	2024	2023
Derivatives	418,925	946,605

As part of the loan facility disclosed in note 33, the Company issued additional warrants to Pure Asset Management for 20,000,000 shares, exercisable at $0.05 per share, expiring on 31 December 2026.

The Company also had an existing warrant issued in 2022 for 90,000,000 shares, exercisable at $0.0227 per share, expiring on 18 March 2025. Both warrant liabilities are measured at fair value through profit or loss. The warrants are repriced under certain conditions and hence have a variable exercise price. As a result, they are classified as liabilities.

Key assumptions used in determining the fair value of the warrants at 30 June 2024:

Valuation date	30 June 2024
Share price at 30 June 2024	0.017
Exercise price	0.0227 - 0.05
Expected volatility	92.97% - 107.5%
Warrant life remaining	0.72 - 2.5 years
Fair value per warrant at valuation date	0.0038 - 0.0053
Number of warrants issued	110,000,000
Total fair value of warrants	**418,925**

The inputs used in the valuation of derivatives are considered level 2 fair value hierarchy. There were no transfers between levels during the financial year.

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 warrants at 30 June 2023:

Valuation date	30 June 2023
Share price at 30 June 2023	0.027
Exercise price	0.06
Expected volatility	117%
Warrant life remaining	1.7 years
Fair value per warrant at valuation date	0.0105
Number of warrants issued	90,000,000
Total fair value of warrants	**946,605**

32. LEASE LIABILITIES

	2024	2023
Lease liabilities comprise		
Lease obligation	207,689	327,321
Current liabilities	128,753	98,949
Non-current liabilities	78,936	228,372
	207,689	**327,321**

33. BORROWINGS

Borrowings comprise		
Term loan	5,000,000	5,000,000
Non-current portion of borrowings	-	5,000,000
Current portion of borrowings	5,000,000	-
	5,000,000	**5,000,000**

As at 30 June 2024

Facility in place is a term loan with 2 tranches from Pure Asset Management with the following terms:

- Secured
- First loan interest rate 9.50% pa
- Second loan interest rate 9.50% pa

MATURITY DATES

- First loan ($3m) 20 March 2025
- Second loan ($2m) 20 March 2025

FINANCIAL COVENANTS:

- Operating cashflow covenant $750,000
- Cash covenant:
  - Review event : Cash balance below $1,000,000
  - Default event : Cash below $750,000

On 31 July 2024, Spacetalk successfully refinanced and extended the loan facility

The revised terms include an extension of the loan maturity date by two years to March 2027. This extension provides Spacetalk with significant financial flexibility and supports the Company's strategic growth initiatives.

KEY TERMS:

- Interest rate: remains at 9.50%
- Maturity date: extended to March 2027

AMORTISATION SCHEDULE:

- March 2025: repay $1,000,000, leaving a total loan balance of $4,000,000
- September 2025: repay $750,000, leaving a total loan balance of $3,250,000
- March 2026: repay $1,000,000, leaving a total loan balance of $2,250,000
- March 2027: repay $2,250,000, fully repaying the loan.

FINANCIAL COVENANTS:

- Minimum cash balance: cash to exceed $750,000 at all times.
- EBITDA covenants: Specific targets to be met quarterly from 31 March 2025 onwards.

Consolidated Entity Disclosure Statement

As at 30 June 2024

Entity name	Entity type	Country of Incorporation	% of share capital held	Tax residency
Spacetalk Limited	Body corporate	Australia	-	Australia*
MGM Wireless Holdings Pty Ltd	Body corporate	Australia	100%	Australia*
Message You LLC1	Body corporate	USA	100%	USA
Spacetalk (NZ) Pty Ltd	Body corporate	Australia	100%	Australia*
Spacetalkwatch UK Ltd	Body corporate	United Kingdom	100%	USA
Spacetalk Holdings Pty Ltd	Body corporate	Australia	100%	Australia*
Spacetalk USA Pty Ltd	Body corporate	Australia	100%	Australia*
Spacetalk LLC	Body corporate	USA	100%	USA
Spacetalk Inc	Body corporate	USA	100%	USA

*Spacetalk Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the income tax consolidation regime. There are no partners in a partnership relationship, trustees in a trust relationship or participants in a joint venture relationship.

Shareholder Information

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of shareholders	**% of total shares issued**	**Number of shareholders**	**% of total shares issued**
1 to 1,000	98	0.01	10	0.00
1,001 to 5,000	266	0.18	39	0.00
5,001 to 10,000	209	0.35	15	0.00
10,001 to 100,000	695	5.62	63	0.05
100,001 and over	381	93.83	55	0.94
	1,649	**100.00**	**182**	**100%**

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

EQUITY SECURITY HOLDERS

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	issued
UBS Nominees Pty Ltd	107,390,410	22.80%
Mr Stanislav Michael Kolenc	15,246,389	3.24%
J P Morgan Nominees Australia	11,484,582	2.44%
Mr Peter Cossetto	10,300,000	2.19%
Dr Matthew Payne	9,269,646	1.97%
Yavern Creek Holdings Pty Ltd	8,700,000	1.85%
Mr Georg Johann Chmiel	8,500,000	1.80%
Coz-E Pty Ltd <Cossetto Family A/C>	8,000,000	1.70%
Mr Christopher James Cameron	8,000,000	1.70%
Mr Malcolm John Kafer	7,045,146	1.50%
Sandhurst Trustees Ltd	6,841,240	1.45%
Coz-E Pty Limited <Cossetto Family No 2 A/C>	6,600,000	1.40%
Speliza Investments Pty Ltd	6,224,529	1.32%
Chris Cameron Super Pty Ltd	5,500,000	1.17%
Mr Savvas Ioannou	5,470,063	1.16%
BNP Paribas Noms	5,381,834	1.14%
Mrs Rebecca Glasspool	5,341,232	1.13%
Chmiel Super Pty Ltd	5,000,000	1.06%
Home Loans Pronto Pty Limited	4,725,000	0.01
Simon Benedict Crowther	4,136,364	0.88%
	249,156,435	**52.90%**

	Number on issue	Number of holders
Options over ordinary shares issued	162,957,980	287

No person holds 20% or more of unquoted equity securities.

SUBSTANTIAL HOLDERS

There are no substantial holders in the company.

RESTRICTED SECURITIES

There are no restricted securities.

ON-MARKET BUY-BACK

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

SPACETALK