

Spacetalk Limited
Appendix 4E
Preliminary final report

1. Company details

| | |
|-------------------|---------------------------------|
| Name of entity: | Spacetalk Limited |
| ABN: | 93 091 351 530 |
| Reporting period: | For the year ended 30 June 2024 |
| Previous period: | For the year ended 30 June 2023 |

2. Results for announcement to the market

| | Year ended 30 June 2024 | Year ended 30 June 2023 | Change on previous period | Change on previous period |
|---|----------------------------|----------------------------|---------------------------------|---------------------------------|
| | \$ | \$ | \$ | % |
| Revenues from ordinary activities | 18,487,858 | 15,534,194 | 2,953,664 | 19% |
| Loss from ordinary activities after tax attributable to the owners of Spacetalk Limited | (5,131,872) | (14,684,760) | 9,552,888 | (65%) |
| Loss for the year attributable to the owners of Spacetalk Limited | (5,131,872) | (14,684,760) | 9,552,888 | (65%) |

Dividends

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

Brief Explanation on Results

Please refer to the Preliminary Financial Statements, Review of Operations on pages 2 to 5.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | (1.18) | (0.86) |

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The accounts are in the process of being audited.

11. Attachments

Details of attachments (if any):

The Preliminary Financial Statements of Spacetalk Limited for the year ended 30 June 2024 are attached.

12. Signed



Georg Chmiel
Chairman

Date: 29 August 2024

Spacetalk Limited

ABN 93 091 351 530

Preliminary Financial Statements

For the year ended 30 June 2024

Spacetalk Limited
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Preliminary final report

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Spacetalk Limited
Review of Operations & Financial Results
30 June 2024

PRINCIPAL ACTIVITIES

Spacetalk Limited is a software services and wearables hardware product developer. As a package, our technology platform provides a complete digital communication solution that supports safety and security for families across their life stages and for employees working in remote settings. Our 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.

KEY PERFORMANCE HIGHLIGHTS

| Income Statement (\$'000) | FY24 | FY23 |
|---|----------|----------|
| Revenue from continuing operations | 17,901 | 13,455 |
| Revenue growth % | 33% | (10%) |
| Gross Profit from continuing operations | 9,202 | 6,834 |
| Gross Margin (%) | 51% | 51% |
| Operating Expenses from continuing operations | (12,605) | (15,250) |
| EBITDA from continuing operations | (3,403) | (8,416) |
| Discontinued operations | (318) | (3,621) |
| Loss after income tax attributable to the owners of Spacetalk | (5,132) | (14,685) |

FINANCIAL PERFORMANCE

Revenue & Segment 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 \$1.9m in hardware device sales and \$2.5m 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.

Spacetalk Limited
Review of Operations & Financial Results
30 June 2024

| Segment Performance | | FY24 | | |
|-------------------------------|-----------------------|----------------|---------------------------------|------------------|
| | Total Segment Revenue | Other Revenue | Revenue from External Customers | Gross Profit |
| Devices | 7,879,682 | - | 7,879,682 | 2,174,499 |
| Schools | 2,060,620 | - | 2,060,620 | 1,991,468 |
| MVNO | 4,572,607 | - | 4,572,607 | 2,416,580 |
| Apps | 2,964,952 | - | 2,964,952 | 2,196,865 |
| Corporate | - | 422,696 | 422,696 | 422,465 |
| Total segment revenues | 17,477,861 | 422,696 | 17,900,557 | 9,201,877 |

| 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 \$2.4m, up 34% in line with revenue growth to \$9.2m (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 18% to \$12.6m (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.

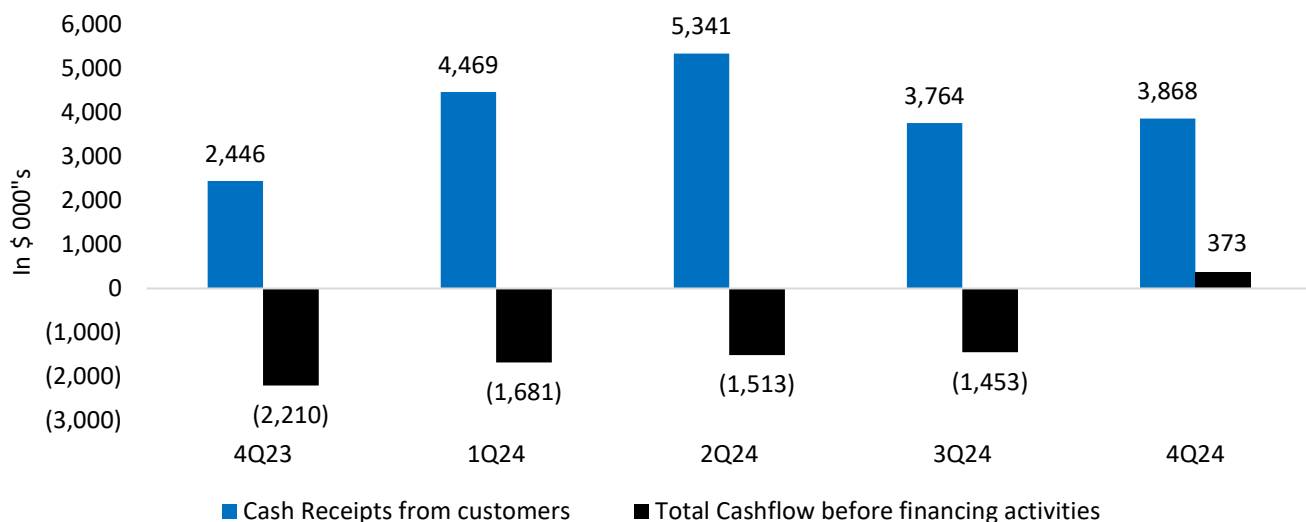
We will continue to maintain a vigilant cost management approach and further scale back cost levers if needed. This provides us with a solid foundation for continued future profitability, positive cash generation and increased financial stability.

Spacetalk Limited
Review of Operations & Financial Results
30 June 2024

Cash Flow

| Summary Cash Flow Statement (\$'000) | FY24 | FY23 |
|--|----------------|----------------|
| Receipts from customers | 17,442 | 17,803 |
| Net cash used in operations | (2,730) | (2,761) |
| Net cash used in operating activities | (3,101) | (3,455) |
| Purchase of intangible assets | (1,143) | (1,661) |
| Cash used in investing activities | (1,176) | (1,668) |
| Cash Flow before financing activities | (4,276) | (5,123) |
| Cashflow from financing activities | 3,021 | 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

Since the period end, we have successfully negotiated re-financing and extension of our loan facility with Pure Asset Management, which gives us significant financial flexibility and supports our strategic growth initiatives. Refer to notes 14 and 33 in the financial statements for further details of this arrangement.

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. | <ul style="list-style-type: none"> • 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. | <ul style="list-style-type: none"> • Regular discussions of strategy and strategic initiatives with the Board. • Periodic measurement of results against targets. • Strengthen capability with experts who possess a good command of the environment. |
| Technology Underinvesting in developing and maintaining systems which support innovation and growth. | <ul style="list-style-type: none"> • Clear definition of technology roadmap. • Understanding 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. | <ul style="list-style-type: none"> • Remuneration and benefits structure to retain and attract top talent. • Clear and consistent on our culture and values. |
| Macroeconomic Staying attuned to broader economic and retail trends is important to ensure our strategy remains relevant and effective. | <ul style="list-style-type: none"> • Analyse and monitor economic and retail conditions, at a minimum, to identify shifts and take steps to manage potential impacts. |
| Environment and climate: Proactively understanding and addressing environmental risks and impacts will be vital to our long-term sustainability. | <ul style="list-style-type: none"> • Review processes and practices to reduce impact on the environment. • Develop reporting on our environmental footprint. |

Spacetalk Limited

Preliminary Consolidated Financial Statements for the year ended 30 June 2024

Statement of Profit or Loss and Other Comprehensive Income

| Figures in \$ | Notes | 2024 | 2023 |
|--|-------|---------------------|---------------------|
| Revenue from continuing operations | 1 | 17,900,557 | 13,455,483 |
| Cost of sales | 2 | (8,698,680) | (6,621,702) |
| Gross profit | | 9,201,877 | 6,833,781 |
| Expenses from continuing operations | | | |
| Allowance for expected credit loss | | (117,462) | - |
| Corporate and administration | | (3,690,782) | (3,902,201) |
| Advertising and marketing | | (1,391,376) | (703,969) |
| Employee benefits expense | | (8,223,824) | (5,706,284) |
| Impairment of assets | 2 | (29,175) | (3,230,415) |
| Cost relating to debt restructuring | | (191,954) | (3,376,275) |
| Fair value gain on fair value of derivatives | | 689,810 | 1,714,052 |
| Gain/(loss) on foreign exchange | | 349,981 | (45,163) |
| Total expenses from continuing operations | | (12,604,782) | (15,250,255) |
| Loss from continuing operations before depreciation and amortisation, interest and income tax expense | | (3,402,905) | (8,416,474) |
| Depreciation and amortisation expense | 2 | (922,445) | (1,782,751) |
| Loss from continuing operations before interest and income tax expense | | (4,325,350) | (10,199,225) |
| Interest expense | | (488,657) | (614,965) |
| Loss from continuing operations before income tax expense | | (4,814,007) | (10,814,190) |
| Income tax expense | 3 | - | (249,976) |
| Loss after income tax expense from continuing operations | | (4,814,007) | (11,064,166) |
| Loss after income tax expense from discontinued operations | 18 | (317,865) | (3,620,594) |
| Loss after income tax expense for the year attributable to the owners of Spacetalk Limited | | (5,131,872) | (14,684,760) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Foreign currency translation | | (108,301) | 59,967 |
| Other comprehensive loss/(profit) for the year, net of tax | | (108,301) | 59,967 |
| Total comprehensive loss for the year attributable to the owners of Spacetalk Limited | | (5,240,173) | (14,624,793) |
| Total comprehensive loss for the year is attributable to: | | | |
| Continuing operations | | (4,922,308) | (11,004,199) |
| Discontinued operations | | (317,865) | (3,620,594) |
| | | (5,240,173) | (14,624,793) |
| Earnings per share from continuing and discontinuing operations attributable to owners of Spacetalk Limited | | | |
| Basic earnings per share | | | |
| Basic loss per share from continuing operations | 4 | (1.12) | (4.29) |
| Basic loss per share from discontinuing operations | | (0.07) | (1.40) |
| Total basic loss per share | | (1.19) | (5.69) |

Spacetalk Limited

Preliminary Consolidated Financial Statements for the year ended 30 June 2024

Statement of Profit or Loss and Other Comprehensive Income

| Figures in \$ | Notes | 2024 | 2023 |
|---|-------|---------------|---------------|
| Diluted earnings per share | | | |
| Basic loss per share from continuing operations | 4 | (1.12) | (4.29) |
| Diluted loss per share from continuing operations | | (0.07) | (1.40) |
| Total diluted loss per share | | (1.19) | (5.69) |

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

Spacetalk Limited

Preliminary Consolidated Financial Statements for the year ended 30 June 2024

Consolidated Statement of Financial Position as at 30 June 2024

| Figures in \$ | Notes | 2024 | 2023 |
|--|-------|--------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 14 | 1,770,292 | 3,026,165 |
| Trade and other receivables | 15 | 842,759 | 2,765,019 |
| Inventories | 16 | 1,516,742 | 2,592,650 |
| Other current assets | 17 | 965,473 | 581,094 |
| Total current assets | | 5,095,266 | 8,964,928 |
| Non-current assets | | | |
| Property, plant and equipment | 20 | 112,005 | 102,148 |
| Right-of-use assets | 21 | 197,660 | 322,884 |
| Intangible assets | 22 | 2,228,500 | 1,584,903 |
| Total non-current assets | | 2,538,165 | 2,009,935 |
| Total assets | | 7,633,431 | 10,974,863 |
| Equity and liabilities | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 26 | 2,090,971 | 2,280,496 |
| Contract liabilities | 27 | 1,678,965 | 1,409,440 |
| Provisions | 28 | 1,404,514 | 2,110,642 |
| Current tax liabilities | | 142,612 | 7,832 |
| Derivative liabilities | 29 | 342,000 | 946,605 |
| Lease liabilities | 30 | 128,753 | 98,949 |
| Borrowings | 31 | 5,000,000 | - |
| Total current liabilities | | 10,787,815 | 6,853,964 |
| Non-current liabilities | | | |
| Derivative liabilities | 29 | 106,749 | - |
| Lease liabilities | 30 | 78,936 | 228,372 |
| Borrowings | 31 | - | 5,000,000 |
| Total non-current liabilities | | 185,685 | 5,228,372 |
| Total liabilities | | 10,973,500 | 12,082,336 |
| Net liabilities | | 3,340,069 | 1,107,473 |
| Equity | | | |
| Issued capital | 23 | 40,775,834 | 37,892,503 |
| Accumulated losses | | (44,435,014) | (39,303,142) |
| Reserves | 24 | 319,111 | 303,166 |
| Total equity attributable to owners of the parent | | (3,340,069) | (1,107,473) |
| Total equity and liabilities | | 7,633,431 | 10,974,863 |

Spacetalk Limited

Preliminary Consolidated Financial Statements for the year ended 30 June 2024

Statement of Changes in Equity

| 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) |
| 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 | - | - | - | (5,131,872) | (5,131,872) |
| Other comprehensive income | - | (108,301) | - | - | (108,301) |
| Total comprehensive income for the year | - | (108,301) | - | (5,131,872) | (5,240,173) |
| Shares issued | 3,390,007 | - | - | - | 3,390,007 |
| Conversion of rights to shares | 120,017 | - | (120,017) | - | - |
| Capital raising costs | (626,693) | - | 341,559 | - | (285,134) |
| Employee rights expense | - | - | 358,422 | - | 358,422 |
| Cost of share issued | - | (455,718) | - | - | (455,718) |
| Balance at 30 June 2024 | 40,775,834 | (410,014) | 729,125 | (44,435,014) | (3,340,069) |

Spacetalk Limited

Preliminary Consolidated Financial Statements for the year ended 30 June 2024

Statement of Cash Flows

| Figures in \$ | Notes | 2024 | 2023 |
|---|-------|--------------------|--------------------|
| Cash flows from operations | | | |
| Cash receipts from customers | | 17,442,025 | 17,803,467 |
| Cash paid to suppliers and employees | | (20,172,511) | (20,564,833) |
| Net cash flows used in operations | 6 | (2,730,486) | (2,761,366) |
| Interest paid | | (368,931) | (693,647) |
| Income taxes paid | | (1,219) | - |
| Net cash flows used in operating activities | | (3,100,636) | (3,455,013) |
| Cash flows used in investing activities | | | |
| Purchase of property, plant and equipment | | (32,997) | (7,081) |
| Purchase of intangible assets | | (1,142,847) | (1,660,899) |
| Cash flows used in investing activities | | (1,175,844) | (1,667,980) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 24 | 3,140,239 | 2,777,309 |
| Costs associated with issue of shares | | - | (117,802) |
| Repayments of lease liabilities | | (119,632) | (164,375) |
| Cash flows from financing activities | | 3,020,607 | 2,495,132 |
| Net decrease in cash and cash equivalents before effect of exchange rate changes | | (1,255,873) | (2,627,861) |
| Effect of exchange rate changes on cash and cash equivalents | | - | 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 | 14 | 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 18 for details on cash flows from discontinuing operations.

Spacetalk Limited

Preliminary Consolidated Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in \$

2024

2023

Significant accounting policies

Statement of compliance

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

Basis of preparation

The Appendix 4E has been prepared on the basis of historical cost. The accounting policies and methods of computation adopted in the preparation of the Appendix 4E are consistent with those adopted and disclosed in the Group's 30 June 2023 annual financial report.

Going concern

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

Discontinued operations

Prior year comparatives have been reclassified where applicable, for the disclosure of discontinued operations. These adjustments have been separately disclosed below. Refer to note 18 for further details.

1. Revenue

1.1 Revenue comprises:

| | | |
|--|-------------------|-------------------|
| Device sales | 7,879,682 | 6,082,372 |
| App subscriptions revenue | 2,964,952 | 3,812,515 |
| Sundry income | 12,040 | 69,057 |
| Grants received | 410,656 | 32,945 |
| Mobile virtual network operator income | 4,572,607 | 1,361,879 |
| Schools' revenue | 2,060,620 | 2,096,715 |
| Total revenue | 17,900,557 | 13,455,483 |

1.2 Timing of revenue recognition

| | | |
|-------------------------------|-------------------|-------------------|
| Recognised at a point in time | 8,321,759 | 6,184,374 |
| Recognised over time | 9,578,798 | 7,271,109 |
| | 17,900,557 | 13,455,483 |

Refer to note 5 (segmental note) for further details on the disaggregation of revenue.

2. Expenses

Expenses comprise:

Loss before income tax from continuing operations includes the following

specific expenses:

| | | |
|---------------|-----------|-----------|
| Cost of sales | 8,698,680 | 6,621,702 |
|---------------|-----------|-----------|

Spacetalk Limited

Preliminary Consolidated Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in \$

2024

2023

Expenses continued...

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 | - | 1,586,690 |
| Capitalised development costs | 774,081 | 12,421 |
| Total amortisation | 774,081 | 1,599,111 |

Total depreciation and amortisation

| | |
|----------------|------------------|
| 922,445 | 1,782,751 |
|----------------|------------------|

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 | 629,088 | 498,955 |
|---|---------|---------|

Share-based payments expense

| | | |
|------------------------------|---------|----------|
| Share-based payments expense | 358,422 | (79,236) |
|------------------------------|---------|----------|

3. Income tax expense

Income tax recognised in profit or loss:

Current tax

| | | |
|--------------|---|---------|
| Current year | - | 249,976 |
|--------------|---|---------|

Total current tax

| | |
|----------|----------------|
| - | 249,976 |
|----------|----------------|

4. 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:

| | | |
|---|-------------|--------------|
| Profit for the year attributable to owners of the company for continuing operations | (4,814,007) | (11,064,166) |
| Profit for the year from discontinued operations | (317,865) | (3,620,594) |

Spacetalk Limited

Preliminary Consolidated Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

| Figures in \$ | 2024 | 2023 |
|---|-------------|-------------|
| Earnings per share continued... | | |
| 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 from continuing operations attributable to owners of Spacetalk Limited | | |
| Basic earnings per share | | |
| Basic loss per share from continuing operations | (1.12) | (4.29) |
| Diluted loss per share from continuing operations | (1.12) | (4.29) |
| Earnings per share from discontinuing operations attributable to owners of Spacetalk Limited | | |
| Basic loss per share from discontinuing operations | (0.07) | (1.40) |
| Diluted loss per share from discontinuing operations | (0.07) | (1.40) |
| Earnings per share for loss | | |
| Basic loss per share from continuing operations | (1.19) | (5.69) |
| Diluted loss per share from continuing operations | (1.19) | (5.69) |

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

5. Segment revenues and results

5.1 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.

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Segment revenues and results continued...

Refer to note 18 for details of discontinued operations during the current financial year.

5.2 Segment revenues and results

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

| | Total segment revenue | Other revenue | Revenue from external customers |
|--------------------------------|-----------------------|----------------|---------------------------------|
| Year ended 30 June 2024 | | | |
| Devices | 7,879,682 | - | 7,879,682 |
| Schools | 2,060,620 | - | 2,060,620 |
| MVNO | 4,572,607 | - | 4,572,607 |
| Apps | 2,964,952 | - | 2,964,952 |
| Corporate | - | 422,696 | 422,696 |
| Total segment revenues | 17,477,861 | 422,696 | 17,900,557 |
| 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 |

5.3 Gross profit

| | Gross profit for the year | Gross profit for the year |
|---------------------------|---------------------------|---------------------------|
| | 2024 | 2023 |
| Year ended 30 June | | |
| Devices | 2,174,499 | 1,091,210 |
| Schools | 1,991,468 | 1,977,891 |
| MVNO | 2,416,580 | 726,716 |
| Apps | 2,196,865 | 2,935,962 |
| Corporate | 422,465 | 102,002 |
| Total gross profit | 9,201,877 | 6,833,781 |

Segment revenue reported above represents revenue generated from external customers by each service or product. There were no intersegment sales in the current year (2023: nil).

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6. Cash flows from operating activities

| | | |
|--|--------------------|---------------------|
| Loss for the year | (5,131,872) | (14,684,760) |
| Adjustments for: | | |
| Income tax expense | 135,992 | 169,264 |
| Finance costs | 368,931 | 693,647 |
| Depreciation and amortisation expense | 922,445 | 1,782,751 |
| Impairment losses and reversal of impairment losses recognised in profit or loss | 29,175 | 2,659,180 |
| Fair value gains and losses | (689,810) | (625,029) |
| Cost relating to debt restructure | - | 3,376,275 |
| Gains and losses on foreign exchange realised in profit or loss | (349,981) | - |
| Share based payment | - | (79,236) |
| Change in operating assets and liabilities: | | |
| Adjustments for decrease in inventories | 1,075,488 | 2,763,409 |
| Adjustments for decrease in trade accounts receivable | 1,744,997 | 798,027 |
| Adjustments for decrease in other operating receivables | 59,801 | 11,453 |
| Adjustments for decrease in trade accounts payable | (784,284) | - |
| Adjustments for increase / (decrease) in other operating payables | 594,760 | (315,187) |
| Adjustments for provisions | (706,128) | 688,840 |
| Net cash flows from operations | (2,730,486) | (2,761,366) |

7. Financial instruments

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 and debt levels and 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.

Gearing ratio

The gearing ration at the end of the period was as follows:

| | | |
|---------------------------------|------------------|------------------|
| Lease liabilities | 207,689 | 327,321 |
| Borrowings | 5,000,000 | 5,000,000 |
| Warrant liability | 448,749 | 946,605 |
| Net Debt | 5,656,438 | 6,273,926 |
| Equity | (3,340,069) | (1,107,473) |
| Net debt to equity ratio | -169% | -567% |

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Financial instruments continued...

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.

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.

| | | |
|---|-----------|-----------|
| 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 |

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.

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Financial instruments continued...

| 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 | - | 2,090,972 | - | - | - | 2,090,972 |
| Interest bearing - fixed rate | | | | | | |
| Other loans | 5.90% | 5,000,000 | - | - | - | 5,000,000 |
| Lease liabilities | 3.70% | 128,753 | 78,936 | - | - | 207,689 |
| Total non-derivatives | 0 | 7,219,725 | 78,936 | - | - | 7,298,661 |
| Derivatives | | | | | | |
| Warrants | - | 342,000 | 106,749 | - | - | 448,749 |
| Total derivatives | - | 342,000 | 106,749 | - | - | 448,749 |
| 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 | 5.90% | - | 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.

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.

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Financial instruments continued...

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 its 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.

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 2024.

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.

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.

8. 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:

| | | |
|--------------------------|------------------|------------------|
| Short-term benefits | 1,179,851 | 1,337,584 |
| Post-employment benefits | 88,445 | 111,331 |
| Termination benefits | - | 322,740 |
| Share-based payments | 107,386 | (129,465) |
| | 1,375,682 | 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.

9. 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 19.

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 19.

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).

Spacetalk Limited

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Related party transactions continued...

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 (2023: \$93,253).

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.

10. Parent entity information

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

Statement of profit or loss and other comprehensive income

| | | |
|-----------------------------------|---|---|
| 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 | - | - |
| Equity | | |
| Issued capital | 37,892,503 | 37,892,503 |
| Accumulated losses | (7,811,435) | (7,811,435) |
| Total equity | 30,081,068 | 30,081,068 |

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.

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Parent entity information continued...

Significant 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.

11. 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:

| | | |
|--|--------|--------|
| Audit and review of financial statements | 55,000 | 64,000 |
|--|--------|--------|

12. 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 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.

Other than the matter outlined above, no other matters or circumstances have arisen since 30 June 2024 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in the future financial years.

13. Approval of financial statements

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% |

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Approval of financial statements continued...

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 | % of total shares issued |
| UBS NOMINEES PTY LTD | 107,390,410 | 22.63 |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 14,969,484 | 3.15 |
| MR STANISLAV MICHAEL KOLENC | 11,536,638 | 2.43 |
| MR PETER COSSETTO & MRS ANNAMARIA STEFANIA COSSETTO <COSSETTO FAMILY SUPER A/C> | 10,000,000 | 2.11 |
| DR MATTHEW PAYNE | 9,269,646 | 1.95 |
| MR CHRISTOPHER JAMES CAMERON | 9,100,000 | 1.92 |
| YAVERN CREEK HOLDINGS PTY LTD | 8,700,000 | 1.83 |
| MR GEORG JOHANN CHMIEL | 8,500,000 | 1.79 |
| COZ-E PTY LTD <COSSETTO FAMILY A/C> | 8,000,000 | 1.69 |
| MR MALCOLM JOHN KAER | 7,045,146 | 1.48 |
| SANDHURST TRUSTEES LTD <EQUIT INV DRAGONFLY A/C> | 6,841,240 | 1.44 |
| COZ-E PTY LIMITED <COSSETTO FAMILY NO 2 A/C> | 6,600,000 | 1.39 |
| SPELIZA INVESTMENTS PTY LTD <GREYSMED P/L SUPER FUND A/C> | 6,288,134 | 1.32 |
| CHRIS CAMERON SUPER PTY LTD <CAMERON S/F ACCOUNT> | 5,800,000 | 1.22 |
| MR SAVVAS IOANNOU & MRS MARIA IOANNOU | 5,470,063 | 1.15 |
| BNP PARIBAS NOMS PTY LTD | 5,381,834 | 1.13 |
| MRS REBECCA GLASSPOOL | 5,347,725 | 1.13 |
| CHMIEL SUPER PTY LTD <CHMIEL SUPER FUND A/C> | 5,000,000 | 1.05 |
| HOME LOANS PRONTO PTY LIMITED <ROBERT CHARTERIS S/F A/C> | 4,725,000 | 1.00 |
| MR CHARLES MORPHY | 4,630,462 | 0.98 |
| | 250,595,782 | 52.79 |
| | Number on issue | Number of holders |
| Options over ordinary shares issued | 43,275,962 | 182 |

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 Limited

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14. Cash and cash equivalents

14.1 Cash and cash equivalents included in current assets:

| | | |
|------------------------|-----------|-----------|
| 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.

14.2 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.

15. Trade and other receivables

15.1 Trade and other receivables comprise:

| | | |
|--|----------------|------------------|
| Trade receivables | 881,343 | 2,703,360 |
| Less: Allowance for expected credit losses | (51,442) | (11,000) |
| Trade receivables - net | 829,901 | 2,692,360 |
| Other receivables | 12,858 | 72,659 |
| Total trade and other receivables | 842,759 | 2,765,019 |

15.2 Trade receivables - past due

| | | |
|-----------------------|----------------|----------------|
| 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 |
| | 294,918 | 313,906 |

Total trade and other receivables excluding non-financial assets included in trade and other receivables

| | | |
|--|----------------|------------------|
| | 547,841 | - |
| Total trade and other receivables | 842,759 | 2,765,019 |

15.3 Movement in loss allowance

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

16. Inventories

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

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Inventories continued...

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.

No inventory was written off during the current year.

17. Other current assets

| | | |
|--------------|----------------|----------------|
| Prepayments | 965,473 | 581,094 |
| Total | 965,473 | 581,094 |

18. 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.

Financial information relating to the discontinued operation is disclosed below:

| | | |
|---------------------------------------|------------------|--------------------|
| Device sales | 587,301 | 2,038,244 |
| Grants received | - | 40,000 |
| Sundry income | - | 467 |
| Total revenue | 587,301 | 2,078,711 |
| Cost of sales | (260,984) | (1,391,365) |
| Gross profit | 326,317 | 687,346 |
| Loss on disposal of assets | 7,177 | (10,658) |
| Corporate and administration expenses | (514,549) | (925,647) |
| Advertising & Marketing | (818) | (789,994) |
| Employee expenses | - | (1,541,137) |
| Foreign exchange gain/(loss) | - | 10,944 |
| Impairment of inventory | - | (1,132,160) |
| Loss before tax | (181,873) | (3,701,306) |
| Income tax | (135,992) | 80,712 |
| Loss for the year | (317,865) | (3,620,594) |

Cash flows from discontinued operations

| | | |
|---|------------------|----------------|
| Net cash flows from (used in) operating activities | (845,957) | (246,110) |
| Net cash flows from (used in) financing activities | - | 694,036 |
| Net increase in cash and cash equivalents from discontinued operations | (845,957) | 447,926 |

Spacetalk Limited

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19. 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 | 08/10/2003 | Ordinary | 100% | 100% |
| Message You LLC1 | USA | 11/09/2006 | Ordinary | 100% | 100% |
| MGM Wireless (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.

20. Property, plant and equipment

Balances at year end and movements for the year

| | Leasehold property | Plant and equipment | Total |
|---|--------------------|---------------------|----------------|
| Reconciliation for the year ended 30 June 2024 | | | |
| Balance at 1 July 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 |
| Movements for the year ended 30 June 2024 | | | |
| Additions from acquisitions | - | 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 | 216,769 | 225,984 |
| Accumulated depreciation | (4,386) | (109,593) | (113,979) |
| 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 from acquisitions | - | 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 |

Spacetalk Limited

Preliminary Consolidated Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in \$

Property, plant and equipment continued...

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 |

21. Right-of-use assets

| | Vehicles | Buildings |
|--|-----------------|------------------|
| Balance at 1 July 2023 | | |
| 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 from acquisitions | - | 374,225 |
| Acquisitions through business combinations | - | - |
| Increase (decrease) through net exchange differences | - | - |
| Depreciation | - | (155,393) |
| Impairment loss recognised in profit or loss | - | - |
| Closing balance at 30 June 2023 | - | 322,884 |
| At cost | - | 726,562 |
| Accumulated depreciation | - | (403,678) |
| Carrying amount | - | 322,884 |

Spacetalk Limited

Preliminary Consolidated Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

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22. Intangible assets

22.1 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 | | | |
| Acquisitions through internal development | 1,665,174 | - | 1,665,174 |
| Disposals | (218,741) | - | (218,741) |
| Amortisation | (774,081) | - | (774,081) |
| Impairment loss recognised in profit or loss | (28,755) | - | (28,755) |
| Intangible assets at the end of the year | 2,228,500 | - | 2,228,500 |
| Closing balance at 30 June 2024 | | | |
| At cost | 24,289,910 | - | 24,289,910 |
| Accumulated amortisation | (22,061,410) | - | (22,061,410) |
| Carrying amount | 2,228,500 | - | 2,228,500 |
| 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 | | | |
| Acquisitions 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 |

Spacetalk Limited

Preliminary Consolidated Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

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23. 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 | 3,140,239 |
| Transfer of vested expired options to share capital | - | - |
| Securities | - | - |
| Share issue costs | - | (376,925) |
| Balance at 30 June 2024 | 471,021,409 | 40,775,834 |

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.

24. Reserves

24.1 Classification of reserves

| | | |
|--------------------------------------|----------------|----------------|
| Share based payment reserve | 729,125 | 149,161 |
| Foreign currency translation reserve | (410,014) | 154,005 |
| Total reserves | 319,111 | 303,166 |

24.2 Movement in reserves

| | Foreign currency translation reserve | Share based payment reserve |
|---|--------------------------------------|-----------------------------|
| Balance at 1 July 2022 | 94,038 | 6,816,803 |
| Foreign currency translation | 59,967 | - |
| Conversion of rights to shares | - | (319,632) |
| Transfer of vested expired options to share capital | - | (6,290,131) |
| Share based payments expense | - | (79,236) |
| Options issued | - | 21,357 |
| Balance at 30 June 2023 | 154,005 | 149,161 |
| Balance at 1 July 2023 | 154,005 | 149,161 |
| Foreign currency translation | (564,019) | - |
| Conversion of rights to shares | - | (120,017) |
| Capital raising costs | - | 341,559 |
| Share based payments expense | - | 358,422 |
| Balance at 30 June 2024 | (410,014) | 729,125 |

Spacetalk Limited

Preliminary Consolidated Financial Statements for the year ended 30 June 2024

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Reserves continued...

24.3 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.

25. Dividends

No dividends have been declared in respect of the 2024 financial year. (2023: Nil)

26. Trade and other payables

Trade and other payables comprise:

| | | |
|---------------------------------------|------------------|------------------|
| Trade payables | 1,461,331 | 2,245,616 |
| Accrued SMS charges | 108,836 | 34,880 |
| Accrued audit fees | 69,321 | - |
| Other payables | 451,483 | - |
| Total trade and other payables | 2,090,971 | 2,280,496 |

27. Contract liabilities

Contract liabilities comprise:

| | | |
|-----------------|-----------|-----------|
| Unearned income | 1,678,965 | 1,409,440 |
|-----------------|-----------|-----------|

Reconciliation

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

| | | |
|--|------------------|------------------|
| Opening balance | 1,409,440 | 709,209 |
| Payments received in advance | 5,252,543 | 2,862,202 |
| Transfers to revenue - included in the opening balance | (102,801) | (709,209) |
| Transfers to revenue - other balances | (4,880,217) | (1,452,762) |
| Closing balance | 1,678,965 | 1,409,440 |

28. Provisions

28.1 Provisions comprise:

| | | |
|----------------------------------|------------------|------------------|
| Provisions for employee benefits | 616,701 | 258,572 |
| Other provisions | 787,813 | 1,852,070 |
| | 1,404,514 | 2,110,642 |

Spacetalk Limited

Preliminary Consolidated Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in \$

Provisions continued...

28.2 Provisions for employee benefits

| | Leave pay provision | Employee benefit provision | Total |
|--|---------------------|----------------------------|----------------|
| Balance at 1 July 2023 | - | 258,572 | 258,572 |
| Other changes through other comprehensive income | 288,431 | 69,698 | 358,129 |
| Total changes | 288,431 | 69,698 | 358,129 |
| Balance at 30 June 2024 | 288,431 | 328,270 | 616,701 |

28.3 Other provisions

| | 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 | - | (308,476) | - | (308,476) |
| Utilised | - | - | (2,705,715) | (2,705,715) |
| Raised | 731,125 | - | 2,435,193 | 3,166,318 |
| Paid | (1,216,384) | - | - | (1,216,384) |
| Total changes | (485,259) | (308,476) | (270,522) | (1,064,257) |
| Balance at 30 June 2024 | 17,748 | 540,493 | 229,572 | 787,813 |
| 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. The provision for sales rebate in the comparative period has been disclosed in trade and other payables. No amounts were recognised in prior year for sales discounts provisions.

Spacetalk Limited

Preliminary Consolidated Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

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29. Derivative liabilities

| | | |
|---|----------------|----------------|
| Derivatives | 448,749 | 946,605 |
| Non-current portion of derivative liabilities | 106,749 | - |
| Current portion of derivative liabilities | 342,000 | 946,605 |
| | 448,749 | 946,605 |

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

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

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 | 0.05 - 0.227 |
| Expected volatility | 92.97% |
| 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 | 448,749 |

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

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

Key assumptions used in determining the fair value of the 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 |

Spacetalk Limited

Preliminary Consolidated Financial Statements for the year ended 30 June 2024

Notes to the Financial Statements

Figures in \$

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30. Lease liabilities

Lease liabilities comprise:

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

31. 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

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.

Spacetalk Limited

Corporate Directory

30 June 2024

Company Secretary

Ms Kim Clark

Registered Office

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Adelaide SA 5000

Australia

Principal place of business

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Share registry

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Overseas Callers: +61 2 9290 9600

Email: enquiries@boardroomlimited.com.au

Auditors

William Buck (SA)

Stock exchange listing

Spacetalk Limited shares are listed on the Australian Securities Exchange (ASX code: SPA)

Website

<https://spacetalk.co/>