Annual Report

For the Year Ended 30 June 2023

Spacetalk Limited ABN 93 091 351 530

www.spacetalkwatch.com

Contents

SPACETALK

SPA 2023 Highlights

+33% Growth

in Annual Recurring Revenue vs prior corresponding period (pcp)

$8,300,000

ARR

Improved revenue mix towards subscription-based revenue with

+15ppts vs pcp

55%

Recurring revenue

Total subscriber growth underpinned by Spacetalk Mobile subscriber growth

+17% vs pcp

69,978

Subscribers

Improved group cost base

17% reduction vs pcp

$12.6m

Normalised operating expenses

Revenue from continuing operations declined by 9%, reflecting the impact of product rationalisation

$13.4m

Revenue from continuing operations

2H23 normalised EBITDA of -$0.6m

improved by $1.8m vs 1H23

-$0.6m

2H23 Normalised EBITDA

Reinventing Spacetalk

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 2023 financial year ('FY23').

FY23 has been a **truly transformational year** for the business, a year in which we repositioned and reinvented Spacetalk to a **sustainable business** with a clear strategy and **high-quality leadership** under the helm of Simon Crowther our CEO/ MD to execute this strategy. In FY23, we completely restructured the operations and resolved the limitations of the previous capital strategy to support **future profitable growth**. All this was done in a very short period of time in particular in the 2nd half of FY23, which is truly remarkable and for which the board of directors would like to thank all employees and leaders in the business.

Spacetalk is now an emerging wearables-enabled **software subscription** and **Mobile Virtual Network Operator (MVNO) business** centering around the theme of "Family Safety". While investment was required to support the transformation, the results show already significant improvement in the operational and financial metrics of the business. The capital raise conducted during Q1/FY24 will further enable the delivery of our growth strategy.

As we reflect on our journey, I want to also express my heartfelt gratitude to our shareholders for their **unwavering support**, **dedication**, **and trust** in Spacetalk's vision and leadership. Your belief in our vision and commitment has been another cornerstone of our success, and I am honoured to address you today with sincere appreciation.

The journey ahead holds promise and potential, and we are eager to embark on it together, hand in hand. Together, we will continue to build a future that is **prosperous and sustainable**.

GEORG CHMIEL
Non-Executive Chair

"I want to also express my heartfelt gratitude to our shareholders for their unwavering support, dedication, and trust."

GEORG CHMIEL
Non-Executive Chair

CEO's Report

I am pleased to be able to share with you my reflections on the 2023 financial year and the important work that was undertaken to restructure and refocus the business for sustainable future growth.

Change is never easy; however, it is important that the foundational building blocks of Strategy, People, Processes and Product are established and aligned. Since joining Spacetalk in February 2023 I have worked hard with the management team and Board to ensure these building blocks are in place and everyone is aligned around a central common purpose. In May 2023 we updated investors with an important strategy document that laid out the future growth opportunity for Spacetalk. We emphasised that Spacetalk has a clear mission and will evolve beyond children's wearables to become a whole of family-oriented business delivering peace of mind and freedom to all ages. This new direction for the company offers significant growth potential.

To achieve our strategic objective of 'Safety at Every Stage of Life', urgent and rapid action was completed during Q3 to temporarily scale back our operations in the US and Europe. This gave us the opportunity to reduce costs and complexity and stabilise our operations in Australia. At the same time, we commenced the upskilling of the organisation, restructured the leadership team and hired domain experts in key roles. Attracting and retaining proven expertise is a key goal and I am pleased with the progress made with the new team working well together. This enabled us to commence rapid product development to bring to life our strategy and demonstrate our ability to execute against a larger addressable market.

We have ambitious product delivery plans that support our goal to be a wearables enabled SaaS business with our MVNO Spacetalk Mobile (formerly Jumpy SIM) at the centre of our rapidly evolving ecosystem. We are experiencing pleasing progress throughout the business as we set ourselves up for growth and are on track to deliver all the product priorities we highlighted in our strategic plan. Our key objective is to extend the Spacetalk brand beyond children's wearables and effectively engage with tweens, teens and seniors for the first time to address a much larger profitable market in Australia, and in due course explore entering new customer segments and overseas expansion opportunities - this is an exciting time for the company and shareholders as we focus on execution and profitability.

Change is never easy; I am proud of the work that has been completed in such a short period of time. My thanks to my team who have worked tirelessly, the Spacetalk board who have shown vision by backing a new direction and my gratitude to our shareholders who have given me the opportunity to realise the full potential of the business.

SIMON CROWTHER
CEO and Managing Director

"This is an exciting time for the company and shareholders as we focus on execution and profitability."

SIMON CROWTHER
CEO and Managing Director

Corporate Directory

Registered Office	Level 2 104 Frome Road Adelaide SA 5000 Australia
Principal place of business	Level 2 104 Frome Road Adelaide SA 5000 Australia **Telephone:** +61 (08) 8104 9555 **Facsimile:** +61 (08) 8431 2400
Share Registry	Computershare Investor Services Pty Ltd Level 5, 115 Grenfell Street Adelaide SA 5000, Australia **Telephone:** 1300 556 161 **Overseas Callers:** -161 3 9415 4000 **Facsimile:** 1300 534 987
Auditor	William Buck (SA)
Stock Exchange listing	Spacetalk Limited shares are listed on the Australian Securities Exchange (ASX code: **SPA**)
Website	www.spacetalkwatch.com

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 2023.

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 (appointed 01/07/2022)
- Michael Rann (appointed 01/07/2022)
- Simon Crowther (appointed 06/02/2023)
- Saurabh Jain
- Martin Pretty
- Brandon Gien
- Mark Fortunatow (resigned 14/10/2022)

PRINCIPAL ACTIVITIES

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

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

The company discontinued the following activities during the year:

- UK, Europe and USA operations have been wound down
- USA MVNO segment is in rundown and is disclosed as part of continuing operations

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 Diploma 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 a Non-Executive Director of Centrepoint Alliance (ASX: CAF), BUTN (ASX: BTN) and Kinatico (ASX: KYP).

Former directorships (last 3 years):	Non-Executive Director of Proptech (ASX: PTG) and Executive Chair of iCar Asia (ASX: ICQ)
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	3,634,848 shares
Interests in options:	1,666,666 options
Interests in rights:	Nil performance rights

MIKE RANN

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):	None
Special responsibilities:	None
Interests in shares:	393,018 shares
Interests in options:	175,000 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. 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 (ASX: NEA) which he led as a public company and built into a leading geospatial and AI data business with a $1billion plus market cap.

Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	Nil shares
Interests in options:	Nil options
Interests in rights:	Nil performance rights

SAURABH JAIN

Independent Non-Executive Director

B.E Software Eng (UNSW)

Executive Master of Business Administration (Australian Graduate School of Management)

Master of Business Technology (Australian Graduate School of Management)

GAICD (Australian Institute of Company Directors).

Saurabh has held senior executive roles at Ventia, Cushman Wakefield, and was the CEO for Urbanise a listed SAAS company. He brings over 26 years of experience in software development, commercialisation and management with experience in APAC, Middle East, North America, and South Africa. His passion is to focus on building amazing technology and then ensure it generates revenue. He started his career with his own startup that he later sold to Telstra.

Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Remuneration and Nomination Committee and was Acting CEO for five months ending February 2023.
Interests in shares:	1,385,455 shares
Interests in options:	420,000 options
Interests in rights:	Nil 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 21 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. He 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:	2,703,159 shares
Interests in options:	936,363 options
Interests in rights:	375,000 performance rights

DR BRANDON GIEN

Independent Non-Executive Director

Bachelor's Degree in Industrial Design, Mechanical Engineering (University of Newcastle)

Ph.D. in Environmental Design from the University of Canberra's School of Design and Architecture.

Brandon is the CEO of Good Design Australia, Chair of the Australian Good Design Awards, and Deputy Chair of the Australian Design Council. He has spent the past 25 years passionately advocating for the value of good design to improve our social, economic, cultural and environmental quality of life. He is a qualified Industrial Designer and currently an Adjunct Professor of Industrial Design at both the University of Canberra and the University of New South Wales. He became a Senator of the World Design Organization (WDO), the global body for Industrial Design, after serving as President (2013-2015), the first Australian to hold this position. Prior to establishing Good Design Australia, Brandon was the Executive Director of Design Strategy at Standards Australia, recognised by the Australian Government as the nation's peak standards body. He was made an Honorary Design Ambassador to Japan, an international design advocacy role organised by the Japan Institute of Design Promotion (JDP) was recognised as a Fellow of the Design Institute of Australia.

Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member Audit and Risk Management Committee Member Remuneration and Nomination Committee
Interests in shares:	2,116,935 shares
Interests in options:	833,333 options
Interests in rights:	375,000 performance rights

MARK FORTUNATOW

Managing Director and Chief Executive Officer (from 1 July 2022 terminated as CEO on 7 October 2022 and resigned as Director on 14 October 2022).

Previously Founder and Executive Chairman to 30 June 2022

More than 24 years of senior executive management experience in marketing, engineering, information systems, finance and customer support. Mr Fortunatow co-founded Spacetalk and led the early stage development of the Spacetalk business.

Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	18,862,800 shares
Interests in options:	Nil options
Interests in rights:	Nil performance rights

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

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 2023, 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 (appointed 01/07/2022)	17	17	-	-	3	4
Michael Rann (appointed 01/07/2022)	17	17	-	-	-	-
Simon Crowther (appointed 06/02/2023)	5	5	-	-	-	-
Saurabh Jain	15	17	2	2	-	-
Martin Pretty	17	17	2	2	4	4
Brandon Gien	15	17	2	2	3	4
Mark Fortunatow (resigned 14/10/2022)	7	8	-	-	-	-

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

The loss for the consolidated entity after providing for income tax amounted to $14,684,760 (30 June 2022: $8,180,110).

Results and key performance indicators of the current and prior year are set out below on a normalised basis, adjusting Statutory NPAT for material infrequent items including the impairment of assets, restructuring costs, including redundancy costs and other material one off adjustments. The FY23 results review is performed based on continuing operations following the wind down of overseas operations during the year. Results from discontinued operations are outlined in note 9 to the financial statements.

1. GROUP PERFORMANCE

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

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

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

KEY PERFORMANCE METRICS

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

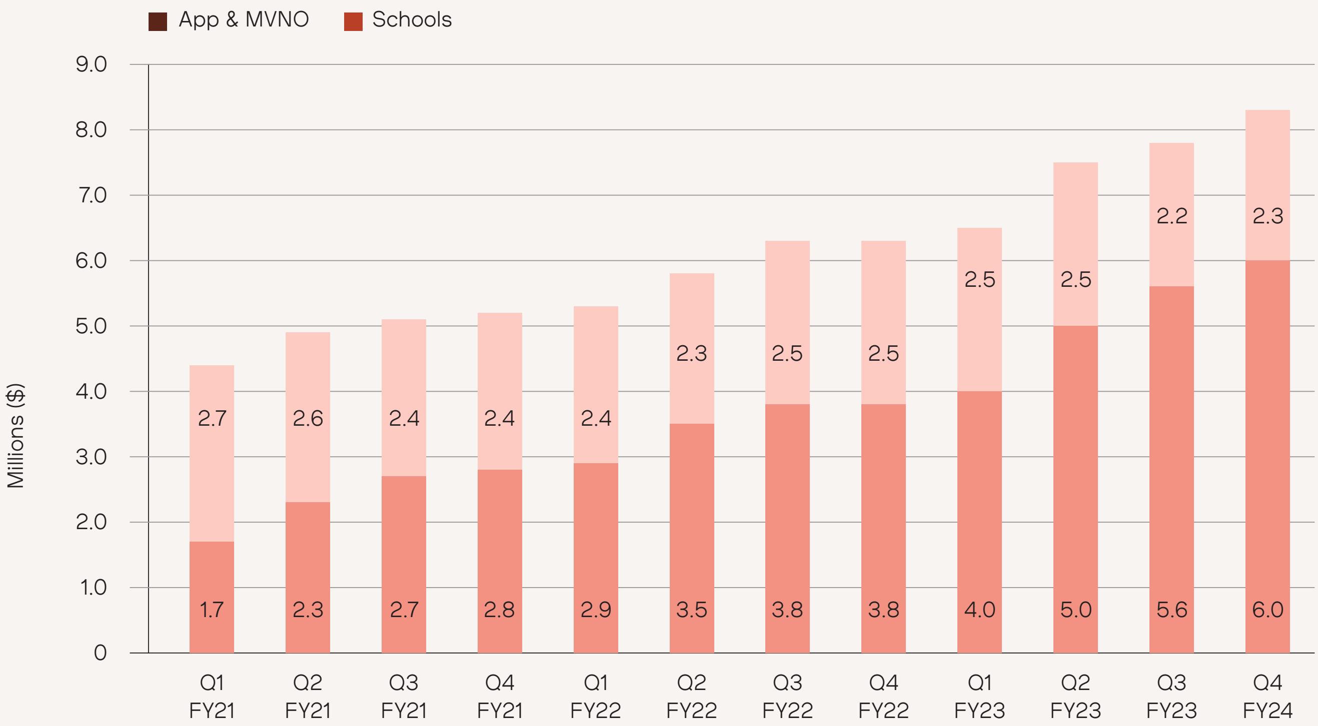
REVENUE

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

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

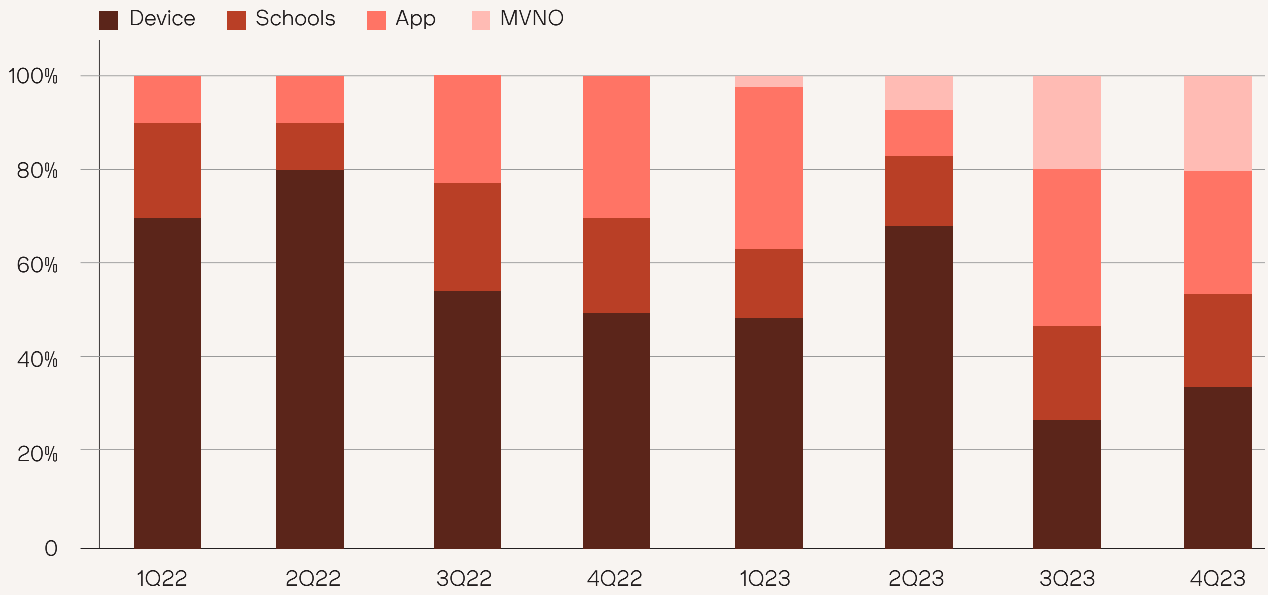
Detailed analysis is included in the segment performance section on pages 20 - 22

ANNUAL RECURRING REVENUE (ARR)



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

REVENUE MIX



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

GROSS PROFIT

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

OPERATING EXPENSES

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

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

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

RECONCILIATION OF NORMALISED EBITDA TO NET PROFIT FROM CONTINUING OPERATIONS.

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

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

NOTES

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

CASHFLOW

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

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

FUNDING AND CAPITAL

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

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

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

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

As part of this renegotiation, Spacetalk issued to Pure a warrant over 20 million Spacetalk shares, exercisable at any time prior to 31 December 2026. The warrant exercise price will be $0.05 per share with provision for a price adjustment under certain circumstances including but not limited to a change of control or future equity issuances exceeding 15% of shares on issue. The warrant is subject to shareholder approval.

2. SEGMENT PERFORMANCE

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

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

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

SUMMARY SEGMENT RESULT

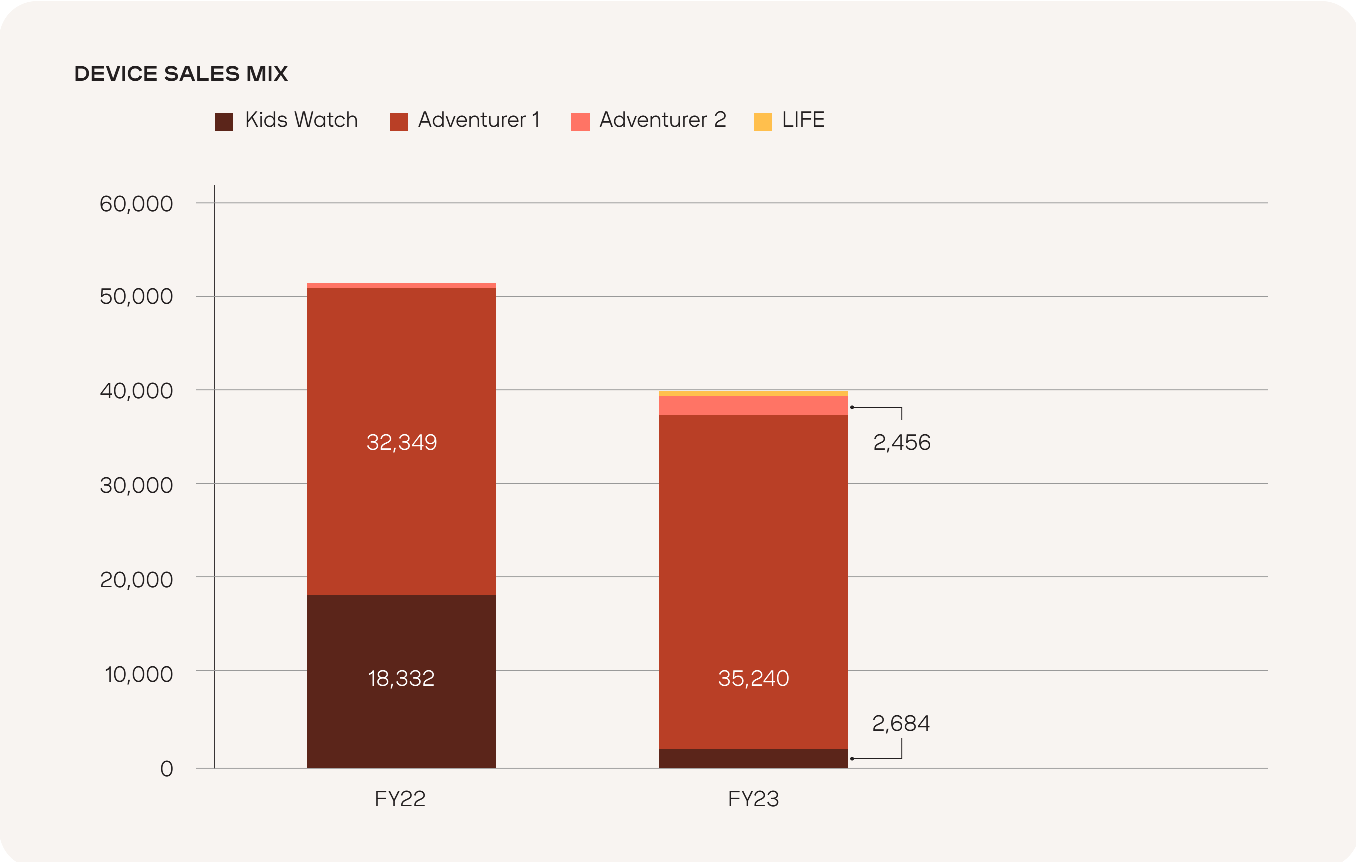
A$m	FY23	FY22	Change	Change %
Device	6.1	9.0	(3.0)	-33%
Schools	2.1	2.4	(0.3)	-12%
App subscriptions	3.8	3.4	0.4	13%
MVNO	1.4	-	1.4	na
Revenue	**13.4**	**14.8**	**(1.5)**	**-10%**
Device	5.0	5.2	(0.2)	-4%
Schools	0.1	0.1	-	-29%
Apps	0.9	0.8	0.1	7%
MVNO	0.6	-	0.6	na
Cost of Sales	**6.6**	**6.2**	**0.5**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

SEGMENT ANALYSIS

Device Revenue

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

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



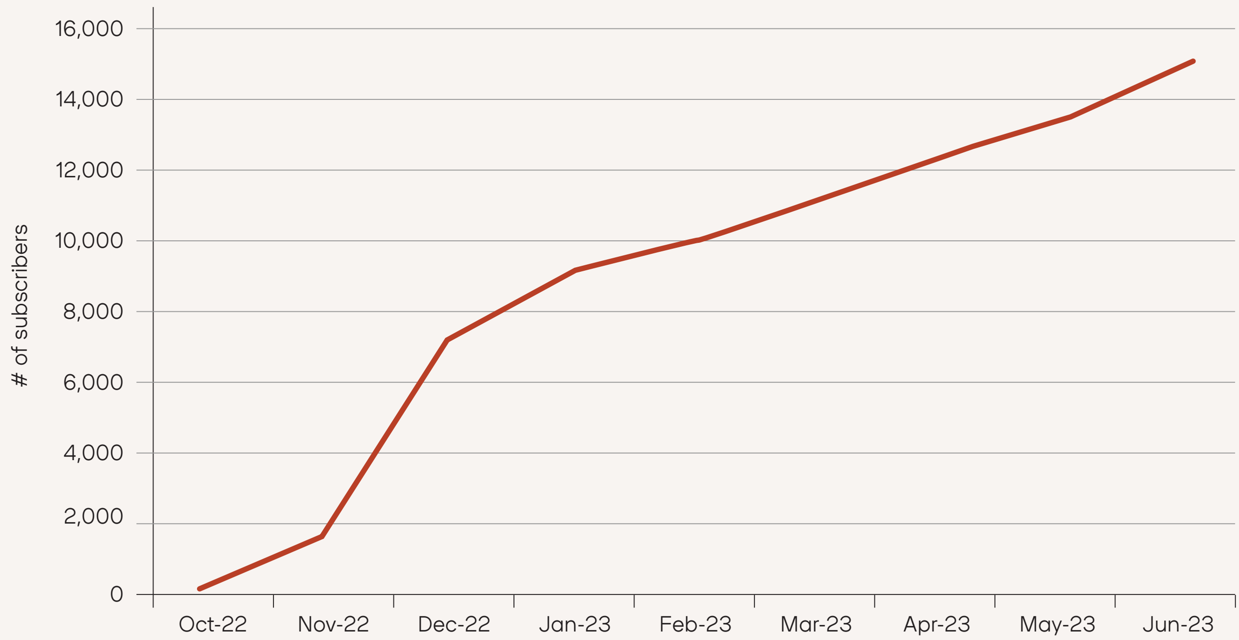
  - Kids watch, a lower priced product, was 36% of sales volume in FY22 (FY23: 7%) and 28% of sales value (FY23: 5%).
  - Adventurer 1 volume was 87% of total in FY23 vs 63% in FY22, albeit at 24% lower average price in FY23 vs FY22.
  - Adventurer 2, which was launched in May 23, was 6% of sales total in FY23.
- The change in sales mix towards higher priced Adventurer 1 vs the cheaper Kids watch impacted demand and sales volume.

DEVICE SALES GROSS PROFIT MARGIN

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

MVNO

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



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

MVNO gross margin was 53% in FY23.

APP SUBSCRIPTIONS

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

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

SCHOOLS' REVENUE

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

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

3. GROWTH STRATEGY

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

FY24 PRIORITIES

Spacetalk is focused on executing the following priorities in FY24.

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

4. KEY RISKS

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

The material business risks for the Group are summarised below.

Risk Areas	What we are doing to manage the Risk
Capital and funding Limited access to both debt and equity funding to support strategy execution	• Regular communications and close relationship with debt funder • Close management of cash flow, with regular cash flow forecasting • Regular monitoring financial performance and identifying lead indicators to cash flow risks
Strategic Poor understanding or response to the changes in our competitive environment	• 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 of changing customer needs and responding with the necessary technology improvements
People Failing to attract and retain culturally aligned staff who can deliver innovative, sustainable and customer focused products and solutions.	• Remuneration and benefits structure to retain and attract top talent. • Clear and consistent on our culture and values
Macroeconomic Failure to identify larger shifts in the economy or retail environment which threatens our strategy or growth.	• Analyse and monitor economic and retail conditions, at a minimum, to identify shifts and take steps to manage potential impacts
Environment and climate Not understanding or responding to future environmental risks and impacts	• Review processes and practices to reduce impact on the environment. • Develop reporting on our environmental footprint

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial year, other than the following:

- Discontinuation of UK, Europe and USA operations
- In November 2022, the Company renegotiated its facility agreement with Pure Asset Management Pty Ltd (Pure AM), extending the repayment dates to July 1, 2024, and March 20, 2025, for the $3 million and $2 million facilities, respectively. As part of the restructure, Spacetalk agreed to a 1.5% establishment fee and issued an additional 90 million warrants, significantly modifying the existing loan.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The following material events occurred after year end.

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

As part of this renegotiation, Spacetalk issued to Pure a warrant over 20 million Spacetalk shares, exercisable at any time prior to 31 December 2026. The warrant exercise price will be $0.05 per share with provision for a price adjustment under certain circumstances including but not limited to a change of control or future equity issuances exceeding 15% of shares on issue. The warrant is subject to shareholder approval.

2. On 24 August 2023, the Company announced a capital raise on the following terms:
   — placement to raise a gross amount of $761,700 at $0.022. The placement concluded on 6 September 2023.
   — pro-rata non-renounceable entitlement issue of one (1) Share for every 2.5 Shares to raise a gross amount of $2,738,938 at $0.022 per share.

The rights issue concluded on 29 September 2023, with $2,487,946 raised, resulting in a shortfall of $250,998. The shortfall offer remains open until 27 November 2023, being 3 months from the Close Date of the Entitlements Offer, unless advised otherwise by the Company.

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

Other than the matters outlined above, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law. .

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 policy, last voted upon by shareholders at the 2022 Annual General Meeting (AGM), more than 25% of the votes were cast against this resolution constituting a first strike for the purposes of the Corporations Act 2001 (Cth).

Since the last AGM, the Board has:

- Engaged a new CEO who commenced in February 2023
- Commenced a redesign of the remuneration framework which is expected to be completed during FY24.

Key management personnel included in this report include:

Non-executive and executive directors:

- **Georg Chmiel**
- **Michael Rann**
- **Simon Crowther** (from 6 February 2023 onwards)
- **Saurabh Jain**
- **Martin Pretty**
- **Brandon Gien**; and
- **Mark Fortunatow** (until 10 November 2022)

Other key management personnel:

- **Craig Boshier** - Chief Operating Officer (from 6 February 2023 onwards)
- **Susan Graney** - Chief Financial Officer (from 1 May 2023, resigned on 10 July 2023)
- **Tonderai Maenzanise** - Interim Chief Financial Officer (16 March to 30 April 2023; full time CFO from 10 July 2023)
- **Jared Puro** (Chief Financial Officer) (until 15 August 2022); and
- **Mark Maloney** - Global Sales Director (until 2 March 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%. 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:

- 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)	(Commenced 1 July 2022)
Michael Rann	Director (Non-executive)	(Commenced 1 July 2022)
Simon Crowther	Executive Managing Director and CEO	Commenced 6 February 2023
Saurabh Jain	Director (Non-executive) Interim CEO	From 7 October 2022 to 5 February 2023
Martin Pretty	Director (Non-executive)	
Brandon Glen	Director (Non-executive)	
Mark Fortunatow	Managing Director and CEO	Terminated as CEO on 7 October 2022 and resigned as a director on 14 October 2022

EXECUTIVES

In addition to the Managing Director and CEO and the Interim CEO, there were five other key management personnel.

Craig Boshier - Chief Operating Officer (commenced 06 February 2023)

Susan Graney - Chief Financial Officer (commenced 1 May 2023 and resigned on 10 July 2023)

Tonderai Maenzanise - Chief Financial Officer (commenced 16 March Interim CFO, 10 July 2023 full time)

Jarred Puro - Chief Financial Officer (resigned 15 August 2022)

Mark Maloney - Global Sales Director (resigned 2 March 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	6 months	399,600	6 months
Craig Boshier	3 months	333,000	3 months
Tonderai Maenzanise	3 months	333,000	3 months
Susan Graney (4)	3 months	333,000	3 months

(1) Notice applies to either party.
(2) Annual base salaries and superannuation
(3) Base salary payable if the Company terminates employee with notice, and without cause.
(4) Resigned on 10 July 2023

THE RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

	30/06/2023	Restated 30/06/2022	30/06/2021	30/06/2020	30/06/2019
Revenue[1]	13,455,483	14,878,735	15,121,573	10,486,517	7,142,148
Net profit/(loss) before tax	(10,814,190)	(5,703,468)	(2,435,719)	(5,271,344)	(5,644,342)
Net profit/(loss) after tax	(11,064,166)	(6,323,878)	(1,780,148)	(4,265,450)	(4,688,679)
Share price at start of year	0.060	0.16	0.14	3.30	2.19
Share price at end of year	0.026	0.06	0.16	0.14	3.30
Interim Dividend	-	-	-	-	-
Final Dividend	-	-	-	-	-
Basic earnings/(loss) cents per share	(4.29)	(3.64)	(1.09)	(3.10)	(3.88)
Diluted earnings/(loss) cents per share	(4.29)	(3.64)	(1.09)	(3.10)	(3.88)

1. Revenue 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:

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
Susan Graney	49,570	5,205	3,813	-	-	58,588
Tonderai Maenzanise	69,063	-	-	-	-	69,063
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

For commencement and termination dates refer to page 27.

2022	Short term - Salary & Fees	Post employment- Super-annuation	Benefits & Entitlements (i)	Termination payment	Share-based payment (ii), (iii)	Total
	$	$	$	$	$	$
Directors						
Georg Chmiel	-	-	-	-	-	-
Michael Rann	-	-	-	-	-	-
Simon Crowther	-	-	-	-	-	-
Saurabh Jain	8,736	874	-	-	-	9,610
Martin Pretty	28,392	2,839	-	-	21,686	52,917
Brandon Gien	28,392	2,839	-	-	21,686	52,917
Mark Fortunatow	475,400	47,540	163,296	-	216,865	903,101
Other Key Management						
Craig Boshier	-	-	-	-	-	-
Susan Graney	-	-	-	-	-	-
Tonderai Maenzanise	-	-	-	-	-	-
Jared Puro	266,154	26,584	-	-	105,900	398,638
Mark Moloney	90,000	9,000	-	-	35,509	134,509
	897,074	89,676	163,296	-	401,646	1,551,692

Saurabh Jain commenced 1 March 2022

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

2022	Georg Chmiel	Michael Rann	Simon Crowther	Saurabh Jain	Martin Pretty	Brandon Gien	Mark Fortunatow
Fees paid to related entities (iv)	-	-	-	-	-	22,000	108,055

(i) For Mark Fortunatow the 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 at the 2022 Annual General Meeting (AGM). The value of the rights granted to key management personnel as part of their remuneration is calculated as at the grant date using the binomial pricing model. 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 the CEO in 2023. The negative expense recognises the net impact of performance rights that lapsed upon Mark's departure.

(iv) A member Mark Fortunatow's family was an employee of the Company performing administrative services. The family member's remuneration in 2023 was $93,253 (2022: $108,555).

The weighted average share price during the year was $0.068 (2022: $0.16). The average remaining contractual life of options outstanding for each Director at the end of the financial year was NIL years (2022: 0.42).

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	01/12/2022	151,515	0.029	4,394	01/03/2023	151,515	01/12/2037
Michael Rann	01/12/2022	43,018	0.029	1,248	01/03/2023	43,018	01/12/2037
Saurabh Jain	01/12/2022	545,455	0.029	15,818	01/03/2023	545,455	01/12/2037
Martin Pretty	01/12/2022	43,018	0.029	1,248	01/03/2023	43,018	01/12/2037
Martin Pretty	01/12/2020	375,000	0.13	48,750	01/12/2023	-	01/12/2035
Brandon Gien	01/12/2020	375,000	0.13	48,750	01/12/2023	-	01/12/2035
Brandon Gien	01/12/2022	43,018	0.029	1,248	01/03/2023	43,018	01/12/2037
Mark Moloney	24/01/2022	150,000	0.17	25,500	28/03/2023	150,000	24/01/2037
Mark Moloney	16/12/2022	454,545	0.03	13,636	01/03/2023	454,545	16/12/2037

In 2023, 3,780,569 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 2023 are set out below:

Name	Balance at 1 July	Granted as compensation	Received on exercise of rights	Net other change	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	2,045,140	2,703,159
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	8,038,819	29,850,760

Name	Balance at 1 July	Granted as compensation	Received on exercise of rights	Net other change	Balance at 30 June
2022	**#**	**#**	**#**	**#**	**#**
Martin Pretty	332,106	-	-	282,895	615,001
Brandon Gien	128,571	-	-	125,000	253,571
Mark Fortunatow	17,612,800	-	-	-	17,612,800
Jarred Puro	130,000	-	-	220,000	350,000
Mark Moloney	-	-	-	150,000	150,000
	18,203,477	-	-	777,895	18,981,372

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
2022	#	#	#	$	#	#	#
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	-	-	-	-	910,226	910,226	910,226
Mark Fortunatow	2,500,000				(2,500,000)	-	-
	2,500,000	-	-	-	1,608,255	4,108,255	4,108,255

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

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
2022	#	#	#	$	#	#	#
Mark Fortunatow	6,800,000	-	-	-	(4,300,000)	2,500,000	2,500,000

The following table outlines the incentives rights held by the key management personnel in Spacetalk Ltd:

Name	Balance at 1 July	Granted as compensation	Exercise of rights	Net other change	Balance at 30 June
2023	#	#	#	#	#
Georg Chmiel	-	151,515	(151,515)	-	-
Micheal 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

Name	Balance at 1 July	Granted as compensation	Exercise of rights	Net other change	Balance at 30 June
2022	#	#	#	#	#
Martin Pretty	500,000	-	(125,000)	-	375,000
Brandon Gien	500,000	-	(125,000)	-	375,000
Mark Fortunatow	5,000,000	-	-	-	5,000,000
Jarred Puro	975,000	-	-	(550,000)	425,000
Mark Moloney	-	150,000	-	-	150,000
	6,975,000	150,000	(250,000)	(550,000)	6,325,000

THIS CONCLUDES THE REMUNERATION REPORT, WHICH HAS BEEN AUDITED.

SHARES UNDER OPTION

There were 43,275,962 unissued ordinary shares of Spacetalk Limited under option outstanding at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were 4,510,266 ordinary shares of Spacetalk Limited issued on the exercise of options and rights during the year ended 30 June 2023 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 insure 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

29 September 2023

SAURABH JAIN
Chair, Nomination and Remuneration Committee

29 September 2023

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 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

29 September 2023

Independent Auditor's Report
To the members of Spacetalk Limited

William Buck
ACCOUNTANTS & ADVISORS

Spacetalk Limited
Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Spacetalk Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial report, which indicates the Group has a net asset deficiency of $1,107,473 as at 30 June 2023 and recorded a net loss of $14,684,760 for the year. As stated in Note 3, these events or conditions, along with other matters set forth in Note 3, 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.

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William Buck
ACCOUNTANTS & ADVISORS

Emphasis of Matter – Restatement of Comparatives

We draw attention to Note 3 in the financial report which details corrections of material errors in a prior period. 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.

KEY AUDIT MATTER	
Revenue Recognition **Refer also to notes 3, 6 and 21**	**How our audit addressed it**
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: — determining whether revenue recognised is in accordance with *AASB 15 Revenue from Contracts with Customers and* 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; — critically assessing management's estimate for rebates, discounts and returns; — substantively testing revenue cut-off and the income in advance balance to ensure revenue has been recognised in the correct period. We also assessed the appropriateness of disclosures attached to revenues as required by Accounting Standard *AASB 15 Revenue from Contracts with Customers*.

WilliamBuck
ACCOUNTANTS & ADVISORS

KEY AUDIT MATTER	
Refinance of Debt **Refer also to notes 3, 24 and 25**	**How our audit addressed it**
The Group altered the terms of its finance facility during the year. As part of this refinance warrants were issued to the lender. The warrants are classified as a derivate liability and are measured at fair value through profit or loss. Management have used a Black Scholes valuation model to determine fair value. We considered the refinance of debt to be a key audit matter because: — The application of *AASB 9 Financial Instruments* requires judgement as to whether the refinance constitutes a substantial modification to the existing agreement and how costs associated with the previous and new finance facilities should be treated. — Determination of the fair value of the warrants in accordance with *AASB13 Fair Value Measurement* requires the use of assumptions and estimates.	Our audit procedures included: — reviewing the terms and conditions of the initial finance facility and the new facility agreement; — reviewing the accounting memo prepared by the client; — reviewing the valuation of the warrants including the key assumptions and estimates used; — consulting with technical experts. We also assessed the appropriateness of disclosures as required by Accounting Standard *AASB 7 Financial Instruments: Disclosures* and *AASB13 Fair Value Measurement*.

KEY AUDIT MATTER	
Intangible Assets **Refer also to notes 3 and 19**	**How our audit addressed it**
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.	Our audit procedures included: — discussions with management and documenting the process as to how development costs are captured and capitalised; — 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; — reviewing the basis for the impairment of capitalised costs recorded during the year; and — assessing the appropriateness of the amortisation period. We also assessed the appropriateness of disclosures as required by *AASB 138 Intangible Assets*.

William Buck
ACCOUNTANTS & ADVISORS

KEY AUDIT MATTER	
Existence and net realisable value of inventory **Refer also to notes 3 and 14**	**How our audit addressed it**
The Group's inventories primarily consists of finished goods which includes wearable watch devices and associated accessories. *AASB 102 Inventories* requires inventory to be measured at the lower of cost and net realisable value. The existence and net realisable value of inventory is a key audit matter as the balance of inventory is material to the financial report and there is a degree of judgement in determination of net realisable value.	Our audit procedures included: — Attendance at selected stock locations at year end for the purpose of confirming the existence of stock on hand at reporting date; — Reconciling independent third party warehouse records of the Company's inventory to Management's own stock listings; — Reviewing the cost recorded for a sample of inventory items to supporting documents; — Reviewing sales of a sample of individual product items post year end to determine whether there are any net realisable issues; We also assessed the appropriateness of disclosures as required by *AASB 102 Inventories*.

KEY AUDIT MATTER	
Provision for warranty **Refer also to notes 3 and 22**	**How our audit addressed it**
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.	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 the warranty terms in a sample of customer sale agreements; — 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 in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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.

Other Matter

The financial report of the Group for the year ended 30 June 2022 was audited by another auditor who expressed an unmodified opinion on the financial report on 30 September 2022.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the 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 these financial statements 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 independent auditor's report.

WilliamBuck
ACCOUNTANTS & ADVISORS

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 32 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Spacetalk Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

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 29th day of September 2023.

Auditor's Independence Declaration To the directors of Spacetalk Ltd

WilliamBuck
ACCOUNTANTS & ADVISORS

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SPACETALK LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 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.

William Buck

William Buck (SA)
ABN 38 280 203 274

M.D. King
Partner

29th day of September 2023

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Notes	2023	2022 Restated
		$	$
Revenue from continuing operations			
Revenue	6	**13,455,483**	14,878,735
Cost of sales	7	**(6,621,702)**	(6,167,961)
Gross profit		**6,833,781**	8,710,774
Expenses from continuing operations			
Interest expense		**614,965**	1,092,011
Allowance for expected credit loss		**-**	69,171
Depreciation and amortisation expense	7	**1,782,751**	3,686,445
Corporate and administration		**3,902,201**	2,539,840
Advertising and marketing		**703,969**	1,156,673
Employee benefits expense		**5,706,284**	6,402,484
Impairment of assets	7	**3,230,415**	-
Costs relating to debt restructure	24	**3,376,275**	-
Fair value gain on fair value of derivatives	24	**(1,714,052)**	(544,231)
Loss on foreign exchange		**45,163**	11,849
Loss before income tax expense from continuing operations		**(10,814,190)**	(5,703,468)
Income tax expense	8	**(249,976)**	(620,410)
Loss after income tax expense from continuing operations		**(11,064,166)**	(6,323,878)
Loss after income tax (expense)/benefit from discontinued operations	9	**(3,620,594)**	(1,856,232)
Loss after income tax (expense)/benefit for the year attributable to the owners of Spacetalk Limited		**(14,684,760)**	(8,180,110)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**59,967**	136,948
Other comprehensive income for the year, net of tax		**59,967**	136,948
Total comprehensive loss for the year attributable to the owners of Spacetalk Limited		**(14,624,793)**	(8,043,162)
Total comprehensive loss for the year is attributable to:			
Continuing operations	7	**(11,004,199)**	(6,186,930)
Discontinued operations	7	**(3,620,594)**	(1,856,232)
		(14,624,793)	(8,043,162)

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 2023

	Notes	Cents 2023	Cents 2022
Earnings per share for loss from continuing operations attributable to the owners of Spacetalk Limited			
Basic earnings per share	10	**(4.29)**	(3.64)
Diluted earnings per share	10	**(4.29)**	(3.64)
Earnings per share for loss from discontinued operations attributable to the owners of Spacetalk Limited			
Basic earnings per share	10	**(1.40)**	(1.07)
Diluted earnings per share	10	**(1.40)**	(1.07)
Earnings per share for loss attributable to the owners of Spacetalk Limited			
Basic earnings per share	10	**(5.69)**	(4.71)
Diluted earnings per share	10	**(5.69)**	(4.71)

Refer to note 5 for detailed information on restatement of comparatives.

Consolidated Statement of Financial Position

For the year ended 30 June 2023

	Notes	2023	2022 Restated	1 July 2021 Restated
		$	$	$
Assets				
Current assets				
Cash and cash equivalents	12	**3,026,165**	5,577,088	4,185,033
Trade and other receivables	13	**2,765,019**	3,793,997	2,218,826
Inventories	14	**2,592,650**	7,240,781	1,736,994
Other current assets	15	**581,094**	761,411	2,774,845
Total current assets		**8,964,928**	17,373,277	10,915,698
Non-current assets				
Property, plant and equipment	17	**102,148**	221,971	205,911
Right-of-use assets	18	**322,884**	104,052	289,016
Intangibles	19	**1,584,903**	3,768,797	3,941,220
Deferred tax		**-**	-	655,661
Total non-current assets		**2,009,935**	4,094,820	5,091,808
Total assets		**10,974,863**	21,468,097	16,007,506
Liabilities				
Current liabilities				
Trade and other payables	20	**2,280,496**	3,390,141	1,944,348
Contract liabilities	21	**1,409,440**	709,209	660,973
Borrowings	24	**-**	3,077,683	-
Lease liabilities	23	**98,949**	109,304	183,539
Income tax	8	**7,832**	90,347	51,379
Provisions	22	**2,110,642**	1,867,919	418,494
Derivative liabilities	25	**946,605**	-	-
Total current liabilities		**6,853,964**	9,244,603	3,258,733
Non-current liabilities				
Borrowings	24	**5,000,000**	-	1,538,125
Lease liabilities	23	**228,372**	-	109,304
Deferred tax liabilities		**-**	1,063	1,046
Derivative liabilities	25	**-**	1,865,495	2,409,726
Total non-current liabilities		**5,228,372**	1,866,558	4,058,201
Total liabilities		**12,082,336**	11,111,161	7,316,934
Net assets/(liabilities)		**(1,107,473)**	10,356,936	8,690,572
Equity				
Issued capital	26	**37,892,503**	28,064,477	18,686,099
Reserves	27	**303,166**	6,910,841	6,442,745
Accumulated losses		**(39,303,142)**	(24,618,382)	(16,438,272)
Total equity/(deficiency)		**(1,107,473)**	10,356,936	8,690,572

Refer to note 5 for detailed information on restatement of comparatives.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Issued capital	Reserves	Accumulated losses	Total equity
	$	$	$	$
Balance at 1 July 2021	**18,686,099**	**6,442,745**	**(15,777,299)**	**9,351,545**
Adjustment for correction of error (note 5)	-	-	(660,973)	(660,973)
Balance at 1 July 2021 - restated	18,686,099	6,442,745	(16,438,272)	8,690,572
Loss after income tax expense for the year	-	-	(8,180,110)	(8,180,110)
Other comprehensive income for the year, net of tax	-	136,948	-	136,948
Total comprehensive income/(loss) for the year	-	136,948	(8,180,110)	(8,043,162)
Transactions with owners in their capacity as owners:				
Share issued	9,497,018	-	-	9,497,018
Cost of share issued	(328,280)	-	-	(328,280)
Options/rights issued	209,640	331,148	-	540,788
Balance at 30 June 2022 - restated	**28,064,477**	**6,910,841**	**(24,618,382)**	**10,356,936**

Refer to note 5 for detailed information on restatement of comparatives.

	Issued capital	Reserves	Accumulated losses	Total deficiency in equity
	$	$	$	$
Balance at 1 July 2022	**28,064,477**	**6,910,841**	**(24,618,382)**	**10,356,936**
Loss after income tax expense for the year	-	-	(14,684,760)	(14,684,760)
Other comprehensive income for the year, net of tax	-	59,967	-	59,967
Total comprehensive income/(loss) for the year	-	59,967	(14,684,760)	(14,624,793)
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 share 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**	**303,166**	**(39,303,142)**	**(1,107,473)**

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Notes	2023	2022
		$	$
Cash flows from operating activities			
Receipts from customers		**17,803,467**	21,188,990
Payments to suppliers and employees		**(20,564,833)**	(27,480,011)
Interest and other costs of finance		**(693,647)**	(114,641)
Tax receipts		**-**	837,145
Net cash used in investing activities	12	**(3,455,013)**	(5,568,517)
Cash flows from investing activities			
Payments for property, plant and equipment	17	**(7,081)**	(56,206)
Payment for research and development	19	**(1,660,899)**	(3,288,913)
Net cash used in investing activities		**(1,667,980)**	(3,345,119)
Cash flows from financing activities			
Proceeds from issue of shares	26	**2,777,309**	9,497,018
Costs associated with issue of shares		**(117,802)**	(328,280)
Repayment of convertible notes		**-**	(404,493)
Proceeds from borrowings		**-**	2,000,000
Repayment of lease liabilities		**(164,375)**	(183,539)
Net cash from financing activities		**2,495,132**	10,580,706
Net (decrease)/ increase in cash and cash equivalents		**(2,627,861)**	1,667,070
Cash and cash equivalents at the beginning of the financial year		**5,577,088**	4,185,033
Effects of exchange rate changes on cash and cash equivalents		**76,938**	(275,015)
Cash and cash equivalents at the end of the financial year	12	**3,026,165**	5,577,088

The Group has elected to present a statement of cash flows that analyses all cash flows in total - i.e., including both continuing and discontinued operations. Refer to note 9 for details on cash flows from discontinued operations

Notes to the Financial Statements

For the year ended 30 June 2023

NOTE 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 and other authoritative pronouncements issued by the Australian Accounting Standards Board (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 29 September 2023.

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.

NOTE 2. APPLICATION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2022.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments

The adoption of these amendments does not have material impact the Group.

New and revised Australian Accounting Standards and Interpretations on issue but not yet effective:

Standard/amendments	Effective for annual reporting periods beginning on or after
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current	1 January 2024
AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of Effective Date	1 January 2024
AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants	1 January 2024
AASB 2021-7 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2024

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

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.

GOING CONCERN

The Group reported a net asset deficiency of $1,107,473 at 30 June 2023 and recorded a net loss of $14,684,760 for the year then ended. These conditions, at the end of the financial year, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Despite the conditions that existed at year end, the Directors have prepared the financial statements on a going concern basis, as the financial condition of the Group improved primarily due to the successful capital raise concluded after year end. The Directors believe the Group has adequate resources to meet its obligations for at least 12 months from the date of signing these financial statements. Subsequent to 30th June 2023,

- The Company completed a capital raising, generating a gross amount of $3,248,946 from a placement and rights issue. The additional funds will provide working capital support to the Group and address the net asset deficiency position that existed at 30 June 2023.
- The Group restructured its borrowing facility , extending the repayment dates of loans to 20 March 2025.

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

- The Company has new management in place and put out a new strategic direction to the market in May 2023.
- the restructure of the business will allow growth in revenue in FY24. This will be achieved through the reset of the device revenue stream, focusing on better collaboration with retailers, reset of retailer margins and managing pricing. Additionally, revenue from new products as described below will drive overall growth.
- the launch of new products in Q4FY23 and Q2FY24 will expand product offering, allowing the Group to:
  - eintroduce a lower priced budget watch, enabling the Group to expand market share.
  - introduce competitively priced MVNO products and continue the growth of MVNO revenue.
  - improve customer lifetime value by introducing the Family App, allowing for longer customer retention as kids can now transition from the wearable device to a mobile phone within the Spacetalk ecosystem of products.
  - the Life Watch renewal, to become a Mobile Personal Emergency Response (mPERS) device, provides an entirely new segment opportunity. This segment will grow as the Life watch is expanded to 24/7 emergency monitoring provider call centre triage systems.
  - the Schools business is undergoing change and presents significant opportunity to the Company.
- The Group can quickly respond to market risks on revenue by reducing operating expenses to preserve cash.
- The achievement of the financial forecasts to enable the Group's to meet its debt covenants under the terms of its restructured borrowing facility.
- Although not included in the Group's cashflow forecast the opportunity to generate additional cash injection through the exercise of existing options and warrants provides the Group with potential additional funding to pay down debt and provide working capital support. The options and warrants have strike prices between 2.3c to 6.0c, with expiry dates between December 2024 to December 2026. The conclusion on going concern is, however, not contingent on this.

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

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.

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.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

Transaction and balances

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

Exchange differences arising on the translation of monetary items are recognised in the 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.

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.

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.

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.

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.

IMPAIRMENT 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 cash-generating 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.

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.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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.

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.

DERIVATIVE FINANCIAL INSTRUMENTS

Hedges of a net investment

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.

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.

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.

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.

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.

SHARE-BASED PAYMENTS

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

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

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.

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.

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.

NOTE 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.

Substantial modification of a financial liability

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

The Company determined that the restructure resulted in a substantial modification of the existing loan outstanding. This determination involved judgement in applying accounting standards.

KEY SOURCES OF ESTIMATION 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 2023 at $1.6M (30 June 2022: $3.8M). An impairment loss of $2.2M was recognised during the year, 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 $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.

No impairment indicators were identified for intangible assets that were recognised in the current year as they primarily related to new products that were launched during the year and new products to be launched in FY24.

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 $11,000 (2022: $67,252) has been recognised for the year ended 30 June 2023.

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 2023 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 Black-Scholes 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.

NOTE 5. RESTATEMENT OF COMPARATIVES

CORRECTION OF A MATERIAL ERROR IN INCOME TAX EXPENSE

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

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

CORRECTION OF A MATERIAL ERROR IN DEFERRED TAX ASSET

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

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

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

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

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

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

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

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

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

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

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

DISCONTINUED OPERATIONS

Prior year comparatives have been reclassified where applicable, for the disclosure of discontinued operations. These adjustments have been separately disclosed below. Refer to note 9 for further details.

COMPARATIVES

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

Statement of profit or loss and other comprehensive income

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

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

NOTE 5. RESTATEMENT OF COMPARATIVES (CONTINUED)

	Cents Reported	Cents Adjustment	Cents Restated
Earnings per share for loss from continuing operations attributable to the owners of Spacetalk Limited			
Basic earnings per share	-	(3.64)	(3.64)
Diluted earnings per share	-	(3.64)	(3.64)
Earnings per share for loss from discontinued operations attributable to the owners of Spacetalk Limited			
Basic earnings per share	-	(1.07)	(1.07)
Diluted earnings per share	-	(1.07)	(1.07)
Earnings per share for loss attributable to the owners of Spacetalk Limited			
Basic earnings per share	(3.66)	(1.05)	(4.71)
Diluted earnings per share	(3.50)	(1.21)	(4.71)

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

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

NOTE 5. RESTATEMENT OF COMPARATIVES (CONTINUED)

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

	2022		
	$	$	$
Extract	**Reported**	**Adjustment**	**Restated**
Assets			
Current assets			
Trade and other receivables	3,590,951	203,046	3,793,997
Inventories	7,062,398	178,383	7,240,781
Total current assets	16,991,848	381,429	17,373,277
Non-current assets			
Deferred tax	1,100,272	(1,100,272)	-
Total non-current assets	5,195,092	(1,100,272)	4,094,820
Total assets	22,186,940	(718,843)	21,468,097
Liabilities			
Current liabilities			
Trade and other payables	3,976,901	(586,760)	3,390,141
Contract liabilities	-	709,209	709,209
Provisions	581,001	1,286,918	1,867,919
Total current liabilities	7,835,236	1,409,367	9,244,603
Total liabilities	9,701,794	1,409,367	11,111,161
Net assets	12,485,146	(2,128,210)	10,356,936
Equity			
Reserves	6,498,878	411,963	6,910,841
Accumulated losses	(22,078,209)	(2,540,173)	(24,618,382)
Total equity	12,485,146	(2,128,210)	10,356,936

NOTE 6. REVENUE

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

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

1. Other income related to repairs and shipping charges.

	2023	2022
	$	**$**
Timing of revenue recognition		
Recognised at a point in time	**6,184,374**	9,106,554
Recognised over time	**7,271,109**	5,772,181
	13,455,483	14,878,735

Refer to note 11 for further details on the disaggregation of revenue.

NOTE 7. EXPENSES

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

NOTE 8. INCOME TAX

	2023	2022
	$	$
Income tax expense		
Current tax expense	**(80,712)**	(278,758)
Deferred tax - origination and reversal of temporary differences	-	655,678
Research and development tax offset	**249,976**	(249,976)
Adjustment recognised in the current year in relation to the current tax of prior years	-	576,275
Aggregate income tax expense	**169,264**	703,219
Income tax expense is attributable to:		
Loss from continuing operations	**249,976**	620,410
Loss from discontinued operations	**(80,712)**	82,809
Aggregate income tax expense	**169,264**	703,219
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	-	655,661
Increase in deferred tax liabilities	-	17
Deferred tax - origination and reversal of temporary differences	-	655,678
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense from continuing operations	**(10,814,190)**	(5,703,468)
Loss before income tax (expense)/benefit from discontinued operations	**(3,701,306)**	(1,773,423)
	(14,515,496)	(7,476,891)
Tax at the statutory tax rate of 25%	**(3,628,874)**	(1,869,223)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development tax offset	**249,976**	106,297
Tax losses not recognised	**3,628,874**	1,100,272
(Over)/under provision of prior year income tax	**(80,712)**	411,963
Other	-	12,942
	169,264	(237,749)
Adjustments recognised in the current year in relation to the current tax of prior year	-	105,299
Adjustments recognised in the current year in relation to the deferred tax loss not recognised	-	835,669
Income tax expense	**169,264**	703,219

NOTE 8. INCOME TAX (CONTINUED)

	2023	2022
	$	$
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Allowance for expected credit losses	2,750	2,750
Property, plant and equipment	18,720	(5,882)
Lease liabilities	81,830	27,326
Distribution rights	110,254	99,227
Trade payables/ accrued expenses	157,511	255,857
Provision for employee entitlements	64,643	146,250
Right-of-use assets	(80,721)	(26,013)
Income tax losses	348,120	315,557
Intangible assets	557,957	197,075
Capital raising costs	88,125	88,125
Total deferred tax assets not recognised	1,349,189	1,100,272

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.

	2023	2022
	$	$
Deferred tax asset		
Movements:		
Opening balance	-	655,661
Charged to profit or loss	-	(655,661)
Closing balance	-	-

	2023	2022
	$	$
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Other	-	1,063
Deferred tax liability	-	1,063
Movements:		
Opening balance	1,063	1,046
Charged to profit or loss	-	17
Adjustments	(1,063)	-
Closing balance	-	1,063

NOTE 9. DISCONTINUED OPERATIONS

Description

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

Financial information related to the discontinued operations is disclosed below.

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

Cash flow information

	2023	2022
	$	$
Net cash used in operating activities	(246,110)	(1,320,080)
Net cash used in investing activities	-	(10,648)
Net cash from financing activities	694,036	1,730,408
Net increase in cash and cash equivalents from discontinued operations	447,926	399,680

NOTE 10. EARNINGS PER SHARE

	2023 $	2022 $
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of Spacetalk Limited	(11,064,166)	(6,323,878)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	257,940,241	173,717,946
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	257,940,241	173,717,946

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

	Cents	Cents
Basic earnings per share	(4.29)	(3.64)
Diluted earnings per share	(4.29)	(3.64)

	2023 $	2022 $
Earnings per share for loss from discontinued operations		
Loss after income tax attributable to the owners of Spacetalk Limited	(3,620,594)	(1,856,232)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	257,940,241	173,717,946
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	257,940,241	173,717,946

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

	Cents	Cents
Basic earnings per share	(1.40)	(1.07)
Diluted earnings per share	(1.40)	(1.07)

	2023 $	2022 $
Earnings per share for loss		
Loss after income tax attributable to the owners of Spacetalk Limited	(14,684,760)	(8,180,110)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	257,940,241	173,717,946
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	257,940,241	173,717,946

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

	Cents	Cents
	(5.69)	(4.71)
	(5.69)	(4.71)

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.

NOTE 11. SEGMENT REVENUES AND RESULTS

PRODUCTS AND SERVICES FROM WHICH REPORTABLE SEGMENTS DERIVE THEIR REVENUES

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

The groups reportable segments under AASB 8 are therefore as follows:

- Devices
- Schools
- MVNO
- Apps
- Corporate

This is the basis by which management controls and reviews the operations of the Group. Segment results are routinely reported to the chief 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.

Device segments supply the 'Spacetalk' smartwatches through retail distribution networks and online sales.

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

MVNO (Mobile Virtual Network Operator) segment sells mobile services under the 'Spacetalk' brand name using the network of a licensed mobile operator.

Apps segment supply the 'Spacetalk' smartwatches customers the device agnostic (open) mobile application products.

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

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Refer to note 9 for details of operations discontinued during the current financial year.

SEGMENT REVENUES AND RESULTS

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

	Devices	Schools	MVNO	Apps	Corporate	Total
2023	**$**	**$**	**$**	**$**	**$**	**$**
Revenue						
Sales to external customers	6,082,372	2,096,715	1,361,879	3,812,515	-	13,353,481
Other revenue	-	-	-	-	102,002	102,002
Total revenue	6,082,372	2,096,715	1,361,879	3,812,515	102,002	13,455,483
EBITDA	1,073,258	1,997,890	724,669	2,935,962	(10,255,615)	(3,523,836)
Depreciation and amortisation	-	-	-	-	(1,782,751)	(1,782,751)
Impairment of assets	-	-	-	-	(3,230,415)	(3,230,415)
Interest expenses	-	-	-	-	(614,965)	(614,965)
Costs relating to debt restructure	-	-	-	-	(3,376,275)	(3,376,275)
Derivative fair value gains	-	-	-	-	1,714,052	1,714,052
Profit/(loss) before income tax expense	1,073,258	1,997,890	724,669	2,935,962	(17,545,969)	(10,814,190)
Income tax expense						(249,976)
Loss after income tax expense						(11,064,166)
Assets						
Segment assets	-	-	-	-	10,974,863	10,974,863
Total assets						10,974,863
Liabilities						
Segment liabilities	-	-	-	-	12,082,336	12,082,336
Total liabilities						12,082,336

NOTE 11. SEGMENT REVENUES AND RESULTS (CONTINUED)

	Devices	Schools	MVNO	Apps	Corporate	Total
2022 - Restated	**$**	**$**	**$**	**$**	**$**	**$**
Revenue						
Sales to external customers	9,054,921	2,392,547	-	3,379,634	-	14,827,102
Other revenue	-	-	-	-	51,633	51,633
Total revenue	9,054,921	2,392,547	-	3,379,634	51,633	14,878,735
EBITDA	4,750,869	2,253,577		2,566,839	(11,040,528)	(1,469,243)
Depreciation and amortisation	-	-		-	(3,686,445)	(3,686,445)
Interest expenses	-	-		-	(1,092,011)	(1,092,011)
Derivative fair value gains	-	-		-	544,231	544,231
Profit/(loss) before income tax expense	4,750,869	2,253,577		2,566,839	(15,274,753)	(5,703,468)
Income tax expense						(620,410)
Loss after income tax expense						(6,323,878)
Assets						
Segment assets	-	-	-	-	21,468,097	21,468,097
Total assets						21,468,097
Liabilities						
Segment liabilities	-	-	-	-	11,111,161	11,111,161
Total liabilities						11,111,161

Segment revenue reported above represents revenue generated from external customers by each service or product. There were no intersegment sales in the current year (2022: nil).

For the purpose of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than cash and R&D incentives.
- All liabilities are allocated to reportable segments other than deferred tax liabilities and current tax liabilities.

Geographical information	**Sales to external customers**	
	2023	**2022**
	$	**$**
Australia	12,911,575	14,099,697
New Zealand	-	727,405
United States and Canada	441,906	681,433
Total	13,353,481	14,827,102

All revenues in the United States relates to MVNO and NZ its device sales. Australia has all revenue streams.

INFORMATION ABOUT MAJOR CUSTOMERS

Included in revenues arising from Australia are revenues of approximately $2.1 million and $1.9 million (2022 $3.9 million and $2.6 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 2023 or 2022.

NOTE 12. CASH AND CASH EQUIVALENTS

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

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

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

	2023	2022
	$	$
Cash and bank balances	3,026,165	5,577,088

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.

	2023	2022
	$	$
Loss for the year	(14,684,760)	(8,180,110)
Adjustments for:		
Depreciation and amortisation	1,782,751	3,686,445
Fair value gain on derivatives	(1,714,052)	544,231
Impairment losses on financial assets	-	69,171
Accrued interest	-	103,693
Costs relating to debt restructure	3,376,275	-
Other non-cash movements	(625,029)	(249,010)
Impairment losses on intangibles, PPE and Inventory	4,373,232	-
Share-based payments	(79,236)	540,788
Operating cash flows before movements in working capital	(7,570,819)	(3,484,793)
Net cash generated from operating activities		
Decrease/(increase) in inventory	2,763,409	(5,503,786)
Increase in trade and other receivables	798,027	(1,656,079)
(Decrease)/increase in trade and other creditors	(315,187)	1,705,666
(Decrease)/Increase in contract liabilities	700,231	709,209
Increase in provision	(11,391)	986,506
Decrease in other current assets	11,453	712,711
(Decrease)/increase in tax liability	(80,712)	38,968
Increase in deferred tax asset	-	655,676
Decrease in Decrease in R&D tax incentive	249,976	267,405
Net cash generated from operating activities	(3,455,013)	(5,568,517)

NOTE 12. CASH AND CASH EQUIVALENTS (CONTINUED)

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities

	Liabilities from financing activities		
	Convertible note	Leases	Total
Balance 30 June 2021	**1,538,125**	**292,843**	**1,830,968**
Cash flows	1,595,507	-	1,595,507
Acquisition - leases	-	(183,539)	(183,539)
Accrued interest	(55,949)	-	(55,949)
Balance 30 June 2022	**3,077,683**	**109,304**	**3,186,987**
Cash flows	-	(164,375)	(164,375)
Acquisition - leases	-	382,392	382,392
Transaction costs expensed	1,922,317	-	1,922,317
Accrued interest	-	-	-
Balance 30 June 2023	**5,000,000**	**327,321**	**5,327,321**

NOTE 13. TRADE AND OTHER RECEIVABLES

	2023	2022
	$	$
Trade receivables	2,703,360	3,861,249
Less: Allowance for expected credit losses	(11,000)	(67,252)
	2,692,360	3,793,997
Other receivables	72,659	-
	2,765,019	3,793,997
TRADE RECEIVABLES - PAST DUE		
Past due 0-30 days	34,963	237,126
Past due 31-60 days	34,972	129,802
Past due 61-90 days	14,544	599,353
Past due over 91 days	229,427	373,076
	313,906	1,339,357
MOVEMENT IN THE LOSS ALLOWANCE		
Balance at the beginning of the year	(67,252)	(69,048)
Decrease/(increase) in loss allowance attributable to new sales	56,252	1,796
Balance at the end of the year	(11,000)	(67,252)

NOTE 14. INVENTORIES

	2023	2022
	$	$
Finished goods	2,592,650	7,240,781

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

The Company recognised the following adjustments to the value of inventory:

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

NOTE 15. OTHER CURRENT ASSETS

	2023	2022
	$	$
R&D tax incentive	-	249,976
Prepayments	581,094	511,435
	581,094	761,411

NOTE 16. INTERESTS IN SUBSIDIARIES

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

				% holding	
Unlisted controlled entity	**Date of acquisition or incorporation**	**County of incorporation**	**Class of shares**	**30/06/2023**	**30/06/2022**
				$	**$**
MGM Wireless Holdings Pty Ltd	08/10/2003	Australia	Ordinary	100%	100%
Message You LLC1	11/09/2006	USA	Ordinary	100%	100%
MGM Wireless (NZ) Pty Ltd	18/05/2010	Australia	Ordinary	100%	100%
Spacetalkwatch UK Ltd	25/02/2019	United Kingdom	Ordinary	100%	100%
Spacetalk Holdings Pty Ltd	29/06/2015	Australia	Ordinary	100%	100%
Spacetalk USA Pty Ltd	29/06/2015	Australia	Ordinary	100%	100%
Spacetalk LLC	29/04/2021	USA	Ordinary	100%	100%
Spacetalk Inc	29/04/2021	USA	Ordinary	100%	100%

These investments have been eliminated on consolidation.

NOTE 17. PROPERTY, PLANT AND EQUIPMENT

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

Reconciliations

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

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

NOTE 18. RIGHT-OF-USE ASSETS

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

Reconciliations

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

	Building
	$
Balance at 1 July 2021	289,016
Depreciation expense	(184,964)
Balance at 30 June 2022	104,052
Additions	374,225
Depreciation expense	(155,393)
Balance at 30 June 2023	322,884

NOTE 19. INTANGIBLES

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

Reconciliations

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

	Distribution Rights	Capitalised Development Costs	Total
	$	$	$
Balance at 30 June 2021	88,210	3,853,010	3,941,220
Additions	-	3,288,913	3,288,913
Amortisation expense	(44,100)	(3,417,236)	(3,461,336)
Balance at 30 June 2022	44,110	3,724,687	3,768,797
Additions	-	1,660,899	1,660,899
Impairment of assets	(31,689)	(2,213,993)	(2,245,682)
Amortisation expense	(12,421)	(1,586,690)	(1,599,111)
Balance at 30 June 2023	-	1,584,903	1,584,903

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

NOTE 20. TRADE AND OTHER PAYABLES

	2023	2022
	$	$
Trade payables	2,245,616	3,124,625
Indirect tax liability	-	229,297
Accrued SMS charges	34,880	36,219
	2,280,496	3,390,141

NOTE 21. CONTRACT LIABILITIES

	2023	2022
	$	$
Unearned income	1,409,440	709,209

Reconciliation

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

Opening balance	709,209	660,973
Payments received in advance	2,862,202	938,945
Transfer to revenue - included in the opening balance	(709,209)	(660,973)
Transfer to revenue - other balances	(1,452,762)	(229,736)
Closing balance	1,409,440	709,209

NOTE 22. PROVISIONS

	2023	2022
	$	$
Provision for employee entitlements	258,572	581,001
Provision for warranty	848,969	960,031
Provision for sales rebate	503,007	-
Provision for sales return	259,589	326,887
Provision for sales discount	240,505	-
	2,110,642	1,867,919

NOTE 22. PROVISIONS (CONTINUED)

MOVEMENT IN PROVISIONS

	2023	2022
	$	$
Warranty		
Opening balance	960,031	513,373
Expensed	446,658	446,258
Reversed	(400,000)	-
Utilised	(245,296)	-
Closing balance	848,969	960,031
Sales rebate		
Opening balance	-	-
Raised	1,109,527	-
Paid	(606,520)	-
Closing balance	503,007	-
Sales return		
Opening balance	326,887	-
Raised	259,589	326,887
Utilised	(326,887)	-
Closing balance	259,589	326,887
Sales discount		
Opening balance	-	-
Raised	1,890,167	-
Utilised	(1,649,662)	-
Closing balance	240,505	-

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.

NOTE 23. LEASE LIABILITIES

	2023	2022
	$	$
Current		
Lease liability	98,949	109,304
Non-current		
Lease liability	228,372	-
Total lease liability	327,321	109,304

NOTE 24. BORROWINGS

	2023	2022
	$	$
Current		
Term loan	-	5,000,000
Unamortised transaction costs	-	(1,922,317)
	-	3,077,683
Non-current		
Term loan	5,000,000	-
	5,000,000	-

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

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

Costs relating to the debt restructure.

	$
Breakdown of costs	
Acceleration of unwound transaction costs	1,925,999
Establishment fee	75,000
Issue of new Warrants	1,375,276
Total debt restructuring costs	3,376,275

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

Assumptions applied were as follows:

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

NOTE 24. BORROWINGS (CONTINUED)

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

During the year, there was a gain on fair value of derivatives of $1,714,052 recognised in the Statement of Profit and Loss and Comprehensive income as a result of accounting standards requirement to fair value warrants and derivative liabilities related to the restructured debt facility with Pure Asset Management ("Pure"). This amount consisted of $1,285,382 related to the existing warrant to Pure for 11 million shares together with $428,670 related to derivative liability for the warrant of 90 million shares as part of the restructured debt facility approved on 15 February 2023.

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

Interest rate

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

Transaction Security

- First ranking security as per existing General Security Deed

Financial covenants

- Pre-30 June 2023

(i). The Borrower must maintain a cash balance exceeding $1,250,000 at all times.

(ii). The Borrower must maintain a balance of $750,000 in regard to the formula immediately below, tested monthly.

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

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

- Post 30 June 2023

(i). The Borrower must maintain a cash balance exceeding $1,250,000 at all times.

(ii). The Borrower and Lender to agree one operational covenant to be implemented post 30 June 2023.

There were no breaches of financial covenants during the year or at 30 June 2023.

NOTE 25. DERIVATIVE LIABILITIES

	2023	2022
	$	$
Current		
Warrant liabilities	946,605	-
Non-current		
Warrant liabilities	-	1,865,495
	946,605	1,865,495

As part of the loan facility disclosed in note 24, the Company has issued additional warrants to Pure AM that can be exercised for a total of 90 million fully paid-up shares. The warrants can be exercised at any point of time up to 13 March 2025. The warrant liabilities are measured at fair value through profit or loss and have an exercise price of $0.06. 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 2023:

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

NOTE 25. DERIVATIVE LIABILITIES (CONTINUED)

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

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

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

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

NOTE 26. ISSUED CAPITAL

	2023	2022	2023	2022
	Shares	Shares	$	$
Ordinary shares - fully paid	311,242,939	216,355,749	37,892,503	28,064,477

Movements in ordinary share capital

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

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.

(i). Employee incentive option plan

Information relating to Spacetalk Limited's option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period is detailed in note 30.

NOTE 27. RESERVES

	2023	2022
	$	$
Share based payments reserve	149,161	6,816,803
Foreign currency translation reserve	154,005	94,038
	303,166	6,910,841

Movements in reserves

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

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

NATURE AND PURPOSE OF RESERVE

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.

NOTE 28. DIVIDENDS

No dividends have been declared in respect of the 2023 financial year. (2022: Nil)

Due to the R&D tax incentives taken up by the group, dividends paid during the 2014 to 2016 financial years were unfranked. It is anticipated that as long as the Group is entitled to the R&D tax incentive future dividends will also be unfranked.

NOTE 29. FINANCIAL INSTRUMENTS

CAPITAL RISK 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

	30/06/2023	30/06/2022
	$	$
The gearing ratio at end of the period was as follows:		
Lease liabilities	327,321	109,304
Borrowings	5,000,000	3,077,683
Warrant liability	946,605	1,865,495
Net Debt	**6,273,926**	**5,052,482**
Equity	(1,107,473)	10,356,936
Net debt to equity ratio	(566.51%)	48.78%

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.

	2023	2022
	$	$
Cash and cash equivalents (interest-bearing accounts)	3,026,165	5,577,088

NOTE 29. FINANCIAL INSTRUMENTS (CONTINUED)

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.

	2023	2022
	$	$
Post tax profit - higher/(lower)	15,130	27,885
Equity - higher/(lower)	15,130	27,885

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 2023 financial period.

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 liability	3.70%	98,949	149,437	78,935	-	327,321
Total non-derivatives		2,344,565	2,149,437	3,078,935	-	7,572,937
Derivatives						
Warrants	-	946,605	-	-	-	946,605
Total derivatives		946,605	-	-	-	946,605

NOTE 29. FINANCIAL INSTRUMENTS (CONTINUED)

2022	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 year $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	3,390,141	-	-	-	3,390,141
Interest-bearing - fixed rate						
Other loans	12.50%	3,077,683	-	-	-	3,077,683
Lease liability	3.50%	109,304	-	-	-	109,304
Total non-derivatives		6,577,128	-	-	-	6,577,128
Derivatives						
Warrants	-	1,865,495	-	-	-	1,865,495
Total derivatives		1,865,495	-	-	-	1,865,495

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.

The Company trades only with recognised, credit worthy 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.

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 Groups 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.

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.

NOTE 30. 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 rights vest subject to performance conditions specific to the individual employees and continued employment. The valuation model inputs used to determine the fair value as at grant date were as follows:

Grant Date	Expiry Date	Share price at grant date	Exercise Price	Performance Right life	Dividend yield	Fair value at grant date	Number of performance rights	Vesting date
11/09/2020	11/09/2023	$0.160	$0.00	3.00	0.00%	$0.16	60,000	31/08/2023
02/12/2020	01/12/2023	$0.130	$0.00	3.00	0.00%	$0.13	375,000	01/12/2023
02/12/2020	01/12/2023	$0.130	$0.00	3.00	0.00%	$0.13	375,000	01/12/2023
01/03/2021	17/02/2023	$0.105	$0.00	1.97	0.00%	$0.11	30,000	17/02/2023
01/03/2022	24/02/2024	$0.140	$0.00	1.99	0.00%	$0.14	8,000	24/02/2024
01/03/2022	24/02/2024	$0.140	$0.00	1.99	0.00%	$0.14	5,000	24/02/2024
28/03/2022	24/02/2024	$0.115	$0.00	1.91	0.00%	$0.12	30,000	24/02/2024
28/03/2022	24/02/2024	$0.115	$0.00	1.91	0.00%	$0.12	30,000	24/02/2024
28/03/2022	24/02/2024	$0.115	$0.00	1.91	0.00%	$0.12	5,000	24/02/2024
18/12/2022	31/08/2023	$0.028	$0.00	0.70	0.00%	$0.03	1,083,333	31/08/2023
19/12/2022	31/08/2023	$0.028	$0.00	0.70	0.00%	$0.03	833,333	31/08/2023
20/12/2022	31/08/2023	$0.028	$0.00	0.70	0.00%	$0.03	1,208,333	31/08/2023
28/12/2022	31/08/2023	$0.026	$0.00	0.67	0.00%	$0.03	875,000	31/08/2023

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 $277,073 has been recorded in relation to new and existing performance rights. An amount of $356,310 relating to share based payments expense recognised in previous periods have been reversed in the profit or loss this period resulting from forfeiture of performance rights.The performance rights that were issued during the year were valued at the prevailing share market price on grant date. The rights are subject to non-market vesting conditions, primarily tenure, and have short vesting period.

The following table outlines the number of incentive rights on issue and movements during the reporting periods presented: The adjustment to the opening balance related to prior year misreported opening balance of outstanding performance rights.

	Number of rights 2023	Weighted average exercise price 2023	Number of rights 2022	Weighted average exercise price 2022
Outstanding at the beginning of the financial year	10,618,000	$0.00	22,470,000	$0.00
Adjustments to opening balance	(2,795,000)	$0.00	-	$0.00
Granted	12,008,597	$0.00	1,158,000	$0.00
Forfeited	(10,403,332)	$0.00	(12,090,000)	$0.00
Exercised	(4,510,266)	$0.00	(920,000)	$0.00
Expired	-	$0.00	-	$0.00
Outstanding at the end of the financial year	4,917,999	$0.00	10,618,000	$0.00

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

NOTE 31. KEY MANAGEMENT PERSONNEL DISCLOSURES

OPTIONS

There were 3,587,538 options that were issued to the lead manager as part of the payment for services in the capital raising conducted in December 2022. These options had a fair value of $0.0060 and resulted in an expense of $21,357.

COMPENSATION

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

	2023	2022
	$	$
Short-term employee benefits	1,337,584	1,060,370
Post-employment benefits	111,331	89,676
Termination benefits	322,740	-
Share-based payments	(129,465)	401,646
	1,642,190	1,551,692

Refer to the remuneration report for further details.

LOANS WITH KEY MANAGEMENT PERSONNEL.

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

NOTE 32. RELATED PARTY TRANSACTIONS

Key management personnel

Disclosures relating to key management personnel are set out in note 31 and the remuneration report included in the directors' report.

SUBSIDIARIES

The consolidated financial statements include the financial statements of Spacetalk Limited and the subsidiaries that are listed in the table in note 16.

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 16.

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

During the 2023 financial year $93,253 was paid to a family relative of Mark Fortunatow for administration services (2022: $108,055).

During the 2023 financial year $nil was paid to Brandon Gien for consulting fees (2022: $22,000). Good Design is a related entity to Brandon Gien.

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.

NOTE 33. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	Parent	
	2023	**2022**
	$	**$**
Profit after income tax	-	-
Total comprehensive income	-	-

Statement of financial position

	Parent	
	2023	**2022**
	$	**$**
Total current assets	-	-
Total non-current assets	30,081,068	20,253,042
Total assets	30,081,068	20,253,042
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	37,892,503	28,064,477
Accumulated losses	(7,811,435)	(7,811,435)
Total equity	30,081,068	20,253,042

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.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 3, 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.

NOTE 34. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by William Buck (SA) (2022: Ian G McDonald), the auditor of the company:

	2023	2022
	$	$
Audit services - William Buck (SA) (2022: Ian G McDonald)		
Audit and review of the financial statements	64,000	26,000

NOTE 35. EVENTS AFTER THE REPORTING PERIOD

The following material events occurred after year end.

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

As part of this renegotiation, Spacetalk issued to Pure a warrant over 20 million Spacetalk shares, exercisable at any time prior to 31 December 2026. The warrant exercise price will be $0.05 per share with provision for a price adjustment under certain circumstances including but not limited to a change of control or future equity issuances exceeding 15% of shares on issue. The warrant is subject to shareholder approval.

2. On 24 August 2023, the Company announced a capital raise on the following terms:
   — placement to raise a gross amount of $761,700 at $0.022. The placement concluded on 6 September 2023.
   — a pro-rata non-renounceable entitlement issue of one (1) Share for every 2.5 Shares to raise a gross amount of $2,738,938 at $0.022 per share.

The rights issue concluded on 29 September 2023, with $2,487,946 raised, resulting in a shortfall of $250,998. The shortfall offer remains open until 27 November 2023, being 3 months from the Close Date of the Entitlements Offer, unless advised otherwise by the Company.

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

Other than the matters outlined above, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

NOTE 36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 29 September 2023.

The shareholder information set out below was applicable as at 29 August 2023.

DISTRIBUTION OF EQUITABLE SECURITIES

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

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	105	0.01	10	0.01
1,001 to 5,000	291	0.30	39	0.26
5,001 to 10,000	251	0.65	15	0.24
10,001 to 100,000	795	9.47	64	5.47
100,001 and over	374	89.57	55	94.02
	1,816	100.00	183	100.00
Holding less than a marketable parcel	819	-	-	-

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

Twenty largest quoted 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	45,494,935	14.62
Mr Stanislav Michael Kolenc	12,730,524	4.09
Mr Christopher James Cameron	7,097,128	2.28
Yavern Creek Holdings Pty Ltd	5,500,000	1.77
Mr Savvas Ioannou + Mrs Maria Ioannou	5,470,063	1.76
Speliza Investments Pty Ltd	5,173,545	1.66
Chris Cameron Super Pty Ltd	5,100,000	1.64
Mr Peter Cossetto + Mrs Annamaria Stefania Cossetto	4,600,000	1.48
Mrs Rebecca Glasspool	4,388,852	1.41
Mr Bilal Ahmad	4,100,000	1.32
Mr Noel George Hurd	4,000,000	1.29
Tresdam Pty Ltd	3,300,464	1.06
Coz-E Pty Limited	3,150,000	1.01
Coz-E Pty Ltd	3,000,001	0.96
Chmiel Super Pty Ltd	2,834,848	0.91
Dr Matthew Payne	2,749,767	0.88
Sandhurst Trustees Ltd	2,660,141	0.85
Ryanu Services Pty Ltd	2,524,710	0.81
Hsbc Custody Nominees (Australia) Limited	2,520,629	0.81
J P Morgan Nominees Australia Pty Limited	2,416,931	0.78
	128,812,538	41.39

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	43,275,962	183

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.

Company Secretary

Ms Kim Clark

Registered Office and Principal Administration Office

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