



jaxsta

**Interim Financial Report
For the half-year ended
31 December 2020**

Jaxsta Limited
ABN 15 106 513 580

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Credit where credit is due

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Half Year 2021 Highlights

(Six months ended 31 December 2020)



Jaxsta enters into strategic five-year commercial agreement with Songtradr



The Recording Academy's 'Behind the Record' Partnership, returns for a second year



82,369

Subscribers

Jaxsta hits a new Membership Milestone



20,824

Profile Claims

Jaxsta hits a new Profile Claim Milestone



Billboard's 'The Player's Behind' Editorial Campaign launches on 14th August 2020 - Powered by Jaxsta



jaxsta Pro ^{Beta}

1 year anniversary of the Jaxsta Pro Launch



Jaxsta's 'Humans of Music' Podcast launches syndication with Sirius XM's Volume Channel

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Directors' Report

The Directors present their report on the consolidated entity (referred to hereafter as the '**Group**') consisting of Jaxsta Limited (referred to hereafter as the '**Company**' or '**Parent Entity**') and the entities it controlled at the end of, or during, the half year ended 31 December 2020 (the '**Directors' Report**').

Directors and Chair

The following persons were Directors of Jaxsta during the whole of the financial year and up to the date of this Report, unless otherwise stated:

- Brett Cottle
- Jacqueline Louez Schoorl
- Jorge Nigaglioni
- Linda Jenkinson and
- Robert Gaunt

Review of operations

The half year ended 31 December 2020 was a critical period for Jaxsta as it prepared its operations to launch its Data Solutions business. Jaxsta provided its data in Billboard's "The Player's Behind" campaign which commenced in August and the Recording Academy's "Behind the Record" campaign in October 2020 and has been integrating its API into the partnership it entered into with Songtradr in September 2020.

The Company has also focused on customer analysis of its 84,000 plus members as it looks to re-launch its paid service via a tiered rollout strategy in the 2021 calendar year. The Company had to re-prioritise its development roadmap to optimise the rollout of both Jaxsta Data Solutions and Jaxsta Pro. The launch of both segments is the integral part of the Company's plan to move to profitability in the coming years, reducing the capital burden of the development and data contracts.

Key financial matters

The loss for the Group after providing for income tax amounted to \$2,594,487 (31 December 2019: \$3,275,430).

- Employee Benefit Expense of \$1,658,068 (31 December 2019: \$1,853,449) includes a non-cash component of \$147,825 (31 December 2019: \$194,784) to record share-based compensation expenses. The decrease was realised from the cost cutting measures in place due to the COVID-19 impact on the business starting in the prior year and continued during the half year.
- Product Development Expense of \$753,659 (31 December 2019: \$959,481) includes a non-cash component of \$188,435 (31 December 2019: \$446,496) to record share-based compensation

expenses. The decrease was also related to the COVID-19 cost controls as well as the deferral of activities in relation to the delay in bringing Jaxsta Pro back to a paid subscription model.

- Cash & Cash equivalents at 31 December 2020 of \$2,658,578 (30 June 2020: \$2,404,848).

Additional capital raising activities were undertaken during the period resulting in the receipt of additional cash of \$1,420,000 in the form of a convertible note. The Company also received an advance for future revenues of \$500,000. This allowed the Group to fund product development and sales and marketing activities, and put the Group in a strong cash position as at 31 December 2020.

During the period ended 31 December 2020, the Company used its cash assets in a manner consistent with the prospectus issued on 7 September 2018.

For further commentary please refer to Notes to the Consolidated Financial Statements commencing on page 12 of this Report.

Development update

Jaxsta has developed an online platform to hold official music metadata to become a repository of official music-related information, comprising liner notes and label copy. The customer facing site at Jaxsta.com was launched on 13 June 2019. On 22 November 2019, Jaxsta launched its B2B subscription-based service, Jaxsta Pro^{Beta} which includes features normally only available to paid users. On 22 April 2020 in response to the significant impact COVID-19 had on the global music industry, the Company offered Jaxsta Pro^{Beta} for free to music industry professionals for the rest of the 2020 calendar year. As at 31 December 2020, Jaxsta Pro^{Beta} had 82,369 members and 20,824 profiles claimed.

Business strategies and prospects for future years

Jaxsta's near term focus is to commercialise its three business segments:

- Jaxsta Pro - Subscription and industry tools.
- Jaxsta Data Solutions - Jaxsta's large volume data solutions, including its commercial Application Programming Interface (API) and other bespoke solutions.
- Jaxsta Marketing & E-Commerce - Jaxsta's marketing initiatives to promote users and sponsors of its services, as well as third party affiliate sales.

In order to achieve the near term goals for the segments, the development focus for FY2021 is to deliver its commercial API for its initial customers, complete the integration of the Songtradr Neighbouring Rights solution into Jaxsta Pro and commence the roll out of the customer tiers of Jaxsta Pro in order to start commercialising key tiers in the 2021 calendar year.

The Group is still reliant on the support of its data partners who provide the data upon which the platform is based and on the acceptance of the product by the music industry. These two items will be key in the commercial rollout in FY2021.

Significant changes in the state of affairs

Capital Raising

Additional capital raising activities were undertaken during the period resulting in the receipt of additional cash of \$1,420,000 in the way of a convertible note. The Company also received an advance for future revenues of \$500,000. This allowed the Group to fund product development and sales and marketing activities, and put the Group in a strong cash position as at 31 December 2020.

On-going consideration for disposal of material assets

In May 2018, Jaxsta (known at the time as Mobilarm Limited) entered into an agreement to sell all of the shares in its operating subsidiary, Marine Rescue Technologies Limited (**MRT**), to Secure2Go Limited (**S2G**) and that agreement was subsequently amended to incorporate JJC Capital Pte Ltd (**JJC**) as a partial purchaser (S2G and JJC, together the **MRT Purchasers**). The sale of MRT was completed on 28 December 2018 and the outstanding amounts owed under the purchase were received on 2 December 2020, completing the transaction.

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

COVID-19

The Group adjusted its operations as a result of COVID-19 by offering its Jaxsta Pro service for free for at least the remainder of the 2020 calendar year, including the last half year. The performance/touring and recording sectors of the music industry had to cancel activities during the year affecting the income of many music professionals. The Group's action provided music professionals a tool to maximise the potential for their careers during and post COVID-19 by having their profiles with official credits be ready for their next engagement.

The Group reduced costs including the forfeit and temporary reduction of director's fees during the period of April to September 2020. The Group's mandate has been prudent use of its cash resources in line with achieving strategic goals of platform acceptance by the target market.

As a pre-revenue venture, the focus was on safely continuing operations and continuing the development of the Jaxsta platform whilst engaging customers during the free membership promotion. The safety of Jaxsta's employees was paramount and the Group implemented security measures to be able to work remotely. The Group continues to adjust its COVID-19 work from office and home policies as needed by changes in government mandates within each jurisdiction it operates.

Matters subsequent to the reporting period

There are no events or circumstances that have arisen that would require disclosure in the financial report.

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 the Director's Report.

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

On behalf of the Directors



Jacqui Louez Schoorl
Executive Director & Chief Executive Officer
25 February 2021
Sydney, New South Wales

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Auditor's Independence Declaration

To the Directors of Jaxsta Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Jaxsta Limited for the half year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



R J Isbell
Partner – Audit & Assurance

Sydney, 25 February 2021

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Consolidated Financial Statements

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half year ended 31 December 2020**

**Consolidated Statement of Financial Position
at at 31 December 2020**

**Consolidated Statement of Changes in Equity
for the half year ended 31 December 2020**

**Consolidated Statement of Cash Flows
for the half year ended 31 December 2020**

Notes to the Consolidated Financial Statements

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Jaxsta Limited

**Interim Financial Report | Consolidated Statement of Profit or Loss and
Other Comprehensive Income for the half year ended 31 December 2020**



		31 December 2020	31 December 2019
		\$	\$
Revenue from continuing operations			
Revenue		2	405
Cost of sales		(1)	(98)
Gross profit		1	307
Interest income		1,144	2,565
Other income	10	811,612	1,335,195
Expenses			
Employee benefits expense		(1,658,068)	(1,853,449)
Marketing expense		(343,254)	(328,084)
Occupancy expense		(55,787)	(71,009)
Professional fees		(216,474)	(368,795)
Product development expense		(753,659)	(959,482)
Depreciation and amortisation expense		(40,744)	(41,107)
Finance costs		(32,789)	(4,870)
Other expenses		(290,218)	(386,701)
Impairment expense	13	(16,251)	-
Fair value movement on financial assets		-	(600,000)
Total Expenses		(3,407,244)	(4,613,497)
Loss before income tax		(2,594,487)	(3,275,430)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of Jaxsta Limited		(2,594,487)	(3,275,430)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Jaxsta Limited		(2,594,487)	(3,275,430)
Earnings per share			
Basic earnings per share (cents)	9	(1.05)	(1.41)
Diluted earnings per share (cents)	9	(1.05)	(1.41)

The accompanying notes should be read in conjunction with these consolidated financial statements.

		31 December 2020	30 June 2020
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		2,658,578	2,404,848
Trade and other receivables	11	459,852	1,518,106
Other assets		210,706	223,414
TOTAL CURRENT ASSETS		3,329,136	4,146,368
NON-CURRENT ASSETS			
Property, plant and equipment	12	38,361	47,880
Intangible assets	13	290,609	336,534
TOTAL NON-CURRENT ASSETS		328,970	384,414
TOTAL ASSETS		3,658,106	4,530,782
CURRENT LIABILITIES			
Trade and other payables	14	389,280	571,033
Loans and borrowings	15	81,300	390,009
Provisions		157,096	206,669
TOTAL CURRENT LIABILITIES		627,676	1,167,711
NON-CURRENT LIABILITIES			
Contract liabilities	14	475,000	-
Loans and borrowings	15	1,393,647	-
Provisions		31,503	32,314
TOTAL NON-CURRENT LIABILITIES		1,900,150	32,314
TOTAL LIABILITIES		2,527,826	1,200,025
NET ASSETS		1,130,280	3,330,757
EQUITY			
Contributed equity	16	32,792,654	32,792,654
Accumulated losses		(33,516,857)	(30,922,370)
Other equity	18	57,750	-
Reserves	17	1,796,733	1,460,473
TOTAL EQUITY		1,130,280	3,330,757

The accompanying notes should be read in conjunction with these consolidated financial statements.

	Contributed equity \$	Reserves \$	Other equity \$	Accumulated losses \$	Total equity \$
As at 1 July 2019 (restated)	29,969,770	596,816	-	(20,483,705)	10,082,881
Loss after income tax expense for the half year	-	-	-	(3,275,430)	(3,275,430)
Other comprehensive income for the half year, net of tax	-	-	-	-	-
Total comprehensive income for the half year	-	-	-	(3,275,430)	(3,275,430)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction cost	2,506,053	-	-	-	2,506,053
Exercise of stock options	173,550	(173,550)	-	-	-
Share-based payments	-	641,280	-	-	641,280
Balance at 31 December 2019	32,649,373	1,064,546	-	(23,759,135)	9,954,784
As at 1 July 2020	32,792,654	1,460,473	-	(30,922,370)	3,330,757
Loss after income tax expense for the half year	-	-	-	(2,594,487)	(2,594,487)
Other comprehensive income for the half year, net of tax	-	-	-	-	-
Total comprehensive income for the half year	-	-	-	(2,594,487)	(2,594,487)
Transactions with owners in their capacity as owners					
Share-based payments	-	336,260	-	-	336,260
Convertible note issuance equity component	-	-	57,750	-	57,750
Balance at 31 December 2020	32,792,654	1,796,733	57,750	(33,516,857)	1,130,280

The accompanying notes should be read in conjunction with these consolidated financial statements.

	31 December 2020 \$	31 December 2019 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from grants - research & development	1,108,176	810,877
Receipts from customers	499,999	3,198
COVID-19 government assistance	364,000	-
Payments to suppliers and employees	(3,070,102)	(3,491,360)
Interest received	1,159	2,564
Interest paid	-	(3,782)
Net cash flows (used in) operating activities	(1,096,768)	(2,678,503)
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(3,656)	(23,690)
Payment for intangibles	-	(24,022)
Proceeds from deferred MRT transaction	11 382,500	1,500,000
Net cash flows provided by investing activities	378,844	1,452,288
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	2,704,224
Share issue transaction costs	-	(192,498)
Proceeds from borrowings	15 1,420,000	100,167
Repayment of borrowings	(448,346)	(51,708)
Net cash flows provided by financing activities	971,654	2,560,185
Net increase in cash held	253,730	1,333,970
Cash at beginning of financial year	2,404,848	2,452,760
Cash at the end of the period	2,658,578	3,786,730

The accompanying notes should be read in conjunction with these consolidated financial statements.

Notes to the Consolidated Financial Statements

Note 1. Nature of Operations

Jaxsta Limited (**Jaxsta** or the **Company**) is a listed public company limited by shares, incorporated and domiciled in Australia.

Jaxsta and its Subsidiaries' (collectively, the **Group**) principal activities include creating an online platform to hold official music metadata to develop a repository of official music-related information, comprising liner notes and label copy.

Note 2. General Information and basis of preparation

The condensed interim consolidated financial statements (the Interim Financial Statements) of the Group are for the six months ended 31 December 2020. The Interim Financial Statements are presented in Australian dollars, which is Jaxsta's presentation currency. The functional currency of Jaxsta is Australian dollars. These general purpose Interim Financial Statements have been prepared in accordance with the requirements of the Corporation Act 2001 (the Act) and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2020 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and Act.

The Interim Financial Statements have been approved and authorised for issue by the Board of Directors on 25 February 2021.

COVID-19 impact

The COVID-19 pandemic has created further uncertainty around estimates used for the preparation of these consolidated financial statements. The uncertainty relates to:

- The extent and duration of the disruption to the business as part of government measures to manage the pandemic impact;
- The extent and duration of the economic downturn created by the pandemic, especially as it affects the music industry in general, both from an industry spending and consumer spending point of view. This also impacts the capital markets, credit markets and employment markets that the Group may need to access during the related period;
- The economic measures provided by governments and business partners to assist businesses during this time.

The interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2020.

The Group has developed estimates in these consolidated financial statements based on forecasts of economic conditions which reflect our estimates and assumptions as at 31 December 2020

about the future outlook that the Directors believe are reasonable under the current circumstances.

The basis of the forecasts used contain a considerable degree of judgement. Actual conditions are likely to be different from those forecasted and some of the assumptions are subject to uncertainties outside the control of the Group.

Accordingly, those uncertainties will most likely create differences to actual conditions and the effect of those differences may impact the accounting estimates included in these consolidated financial statements.

The Group has recorded convertible notes during the period and has adopted the following policy for its accounting treatment.

Convertible notes are separated into liability and equity components based on the terms of the contract. On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds are allocated to the conversion option that is recognised and included in equity.

Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

New and amended standards and interpretations

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Note 3. Going concern basis of accounting

The Group incurred a loss after tax of \$2,594,487 and had a net cash outflow from operations of \$1,096,768 for the period ended 31 December 2020. The conditions above give rise to a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. As at the signing date of the Interim Financial Statements, the Group had cash assets of \$1,860,718.

The consolidated entity is in the process of transitioning from a start-up/development business to a commercialised business with the intention of deriving revenues from product sales and services.

The consolidated entity launched its Jaxsta Pro service in November 2019, but has the service operating under a freemium model as it builds its customer base to a level that it can successfully launch its paid version. In addition it has launched its commercial API in January 2021 with the intention of growing its Data Solutions business segment revenues in the coming periods.

Management has prepared cash flow forecasts for the Group for the period ending 28 February 2022 which assumes continuity of business on the basis of the following events occurring:

- 1) the continuation of the Jaxsta Beta metadata platform, resulting in the subsequent commercialisation through its tiered subscription rollout, accordingly cash receipts from revenues from platform use have been forecast;
- 2) the successful commercialisation of its Data Solutions that commenced in January 2021;
- 3) the receipt of a R&D tax concession for the financial year ended 30 June 2021 and establishing a line of credit secured against the future R&D tax concessions that the Group expects to receive in respect of FY2021 and;
- 4) a potential capital raising within the next 12 months.

The Directors believe that the Group is a going concern and that the above events will eventuate in the short term and accordingly the Financial Statements have been prepared on a going concern basis.

In the event that the above assumptions do not eventuate, there are material uncertainties that cast significant doubt over the ability of the Group to continue as a going concern.

In the event that the Group does not achieve the conditions stated above by the Directors, the ability of Jaxsta and therefore the Group to continue as a going concern may be impacted. As a result, the Group may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the Financial Statements.

No adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should Jaxsta and the Group not continue as a going concern.

Note 4. Principles of consolidation

Principles of consolidation

The Financial Statements incorporate the assets and liabilities of all subsidiaries of Jaxsta as at 31 December 2020 and the results of all subsidiaries for the half year then ended.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on

which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 5. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events; management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group 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 key estimate used in the valuation is the expected stock price volatility.

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.

Research & Development tax incentive

Research & development tax incentive is recognised on an accrual basis. Management estimates the income based on actual expenditure eligible for the tax incentive for the year ended 30 June 2021 and believes the estimate to be reasonable under the circumstances.

Going Concern

The going concern basis of accounting is considered a critical estimate and judgement area as Management and the Directors have made the use of significant accounting estimates and judgements in the preparation of the cash flow forecast used in assessing the going concern of the Group. See Note 3.

Note 6. Segment reporting

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Management identifies one operating segment based on the Group's service lines. Please refer to financial statements for details.

During the six-month period to 31 December 2020, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The Group's segment operating loss reconciles to the Group's loss before tax as presented in its financial statements.

Note 7. Key management personnel compensation

Remuneration arrangements of key management personnel are disclosed in the Key Management Personnel section of the annual financial report. In addition, during the half-year, share-based payments were made to KMP. The expense related to the participation of KMP in equity-settled benefit schemes is measured by the fair value of the options, rights and shares granted on grant date. Share-based payments are detailed in Note 17.

Note 8. Dividends

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

Note 9. Earnings per share

	31 December 2020	31 December 2019
	\$	\$
Loss after income tax attributable to the owners of Jaxsta Limited	(2,594,487)	(3,275,430)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	247,190,330	232,623,830
Weighted average number of ordinary shares used in calculating diluted earnings per share	247,190,330	232,623,830
	Cents	Cents
Basic earnings per share	(1.05)	(1.41)
Diluted earnings per share	(1.05)	(1.41)

40,571,482 shares from the convertible note and 37,897,223 unlisted options & warrants have been excluded from the above calculations as they were anti-dilutive.

Note 10. Other income

	31 December 2020	31 December 2019
	\$	\$
Research and development tax incentive	418,332	1,335,195
Government COVID-19 support	390,000	-
Other income	3,280	-
Total other income	811,612	1,335,195

The government COVID support represents amounts received under the Jobkeeper and Cash Flow Boost government programs.

Note 11. Trade and other receivables

		31 December 2020	30 June 2020
		\$	\$
Current			
GST receivable		41,523	8,313
R&D incentive	(i)	418,329	1,125,323
Other receivables	(ii)	-	384,470
		459,852	1,518,106

(i) The Group accrued for the Research & Development tax incentive during the six month period ended 31 December 2020 and the financial year ended 30 June 2020 as it is now able to reasonably estimate the amount receivable as detailed in Note 5.

(ii) \$NIL (30 June 2020: \$382,500) of other receivables relates to the deferred compensation in relation to the sale of the MRT business which was due from Secure2Go Group Ltd on or before 28 December 2020. The proceeds from the sale were completely received as of 2 December 2020.

Note 12. Property, plant and equipment

		31 December 2020	30 June 2020
		\$	\$
Office equipment - at cost		43,907	43,602
Less: Accumulated depreciation		(25,817)	(22,751)
		18,090	20,851
Computer equipment - at cost		109,969	145,430
Less: Accumulated depreciation		(89,698)	(118,401)
		20,271	27,029
Total property, plant and equipment		38,361	47,880

Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Office Equipment	Computer Equipment	Total
	\$	\$	\$
Consolidated Group:			
Balance at 1 July 2020	20,851	27,029	47,880
Additions	2,167	-	2,167
Disposals	(930)	-	(930)
Depreciation expense	(3,998)	(6,758)	(10,756)
Balance at 31 December 2020	18,090	20,271	38,361
Balance at 1 July 2019	25,299	16,720	42,019
Additions	2,156	27,314	29,470
Depreciation expense	(3,252)	(7,782)	(11,034)
Balance at 31 December 2019	24,203	30,473	54,675

Note 13. Intangible assets

		31 December 2020	30 June 2020
		\$	\$
Platform development costs	(i)	178,963	178,963
Less: Accumulated amortisation		(92,584)	(62,596)
		86,379	116,367
Patents & Trademarks	(ii)	220,481	220,167
Less: Impairment		(16,251)	-
Less: Accumulated depreciation		-	-
		204,230	220,167
Goodwill	(iii)	-	4,025,904
Less: Impairment		-	(4,025,904)
		-	-
Total intangible assets		290,609	336,534

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i) Platform development costs

Development costs have been capitalised at cost. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Platform Development Costs are amortised over their useful lives, being 3 years as determined by the Directors. Amortisation commenced on 13 June 2019 being the date it was available for use.

ii) Trademarks & Patents

Trademarks are assessed to have an indefinite useful life and will not be amortised. Patents have a finite life and are carried at cost less any accumulated amortisation and any impairment losses once amortisation starts upon successful registration.

Assessment of indicators for impairment of indefinite life intangible assets

The Group considered external and internal indicators for potential impairment as at 31 December 2020. The Company recognised \$16,251 of impairments related to one trademark application after an existing trademark holder raised a potential conflict regarding the use of a similar trademark. The result of the review was that no other impairment was present as at the reporting date.

Movements in Carrying Amounts

Movements in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial year:

	Platform Development Costs	Trademark	Goodwill	Total
	\$	\$		\$
Consolidated Group:				
Balance at 1 July 2020	116,367	220,167	-	336,534
Additions	-	314	-	314
Amortisation charge	(29,988)	-	-	(29,988)
Impairment losses	-	(16,251)	-	(16,251)
Balance at 31 December 2020	86,379	204,230	-	290,609
Balance at 1 July 2019	178,963	191,756	4,025,904	4,396,623
Additions	-	24,022	-	24,022
Amortisation charge	(32,850)	-	-	(32,850)
Balance at 31 December 2019	146,113	215,778	4,025,904	4,387,795

Note 14. Trade and other payables

		31 December 2020	30 June 2020
		\$	\$
Current			
Trade Creditors		202,690	309,121
Unearned revenue	(1)	25,000	-
Other creditors and accruals		161,590	261,912
		389,280	571,033
Non Current			
Unearned revenue	(1)	475,000	-
		475,000	-
Total Current and Non Current		864,280	571,033

- 1) On 10 September 2020 the Company entered into a five year commercial agreement with Songtradr to deliver an end-to-end integrated platform solution for Jaxsta Pro members to use Songtradr's neighbouring rights collection service, powered by Jaxsta's global performer metadata. The Group expects the integration to be completed by April 2021. The agreement includes an upfront license fee of \$500,000 paid by Songtradr to Jaxsta (the License Fee) and provides Jaxsta with 20% of net neighbouring rights revenues received by Songtradr from Jaxsta users adopting the service after recoupment of the License Fee. Revenues recognised during the five year period will be reduced from the License Fee until it has been fully utilised.

Note 15. Loans and borrowings

		31 December 2020	30 June 2020
		\$	\$
Current			
R&D rebate financing	(1)	-	365,037
Insurance financing	(2)	81,300	24,972
		81,300	390,009

- 1) The company entered into an agreement with Radium Capital (Innovation Structured Finance LLC) to get an advance of their estimated R&D tax incentive for the financial year. The facility carried an interest rate of 15% and is secured by the Company's R&D Tax Incentive Claim. This loan was repaid on 31 October 2020.
- 2) Insurance funding is a ten months short term loan with an fixed interest rate of 5.85%

		31 December 2020	30 June 2020
		\$	\$
Non Current			
Convertible note	(3)	1,393,647	-
		1,393,647	-
Total Current and Non Current		1,474,947	390,009

- 3) On 10 September 2020, the Company entered into a convertible note agreement with Songtradr Inc. for a principal value of \$1,420,000. Conversion would result in the issue of 40,571,429 fully paid ordinary Jaxsta shares at a price of \$0.035 per share for the principal value of the note. The conversion is at the right of the noteholder, except if:
 - the Company registers a full year net profit of \$5,000,000 at which time 100% of the note is converted automatically; or
 - the Company registers a full year net profit of \$2,500,000 at which time 50% of the note is converted automatically.

The noteholder can convert or seek repayment of the note at the expiration of the term of the note. The note has a term of up to 3 years and carries a coupon rate of 7.5% which will be accrued and paid at the end of the term or capitalised and converted at the time of conversion or repayment. The note is secured by a first ranking security over the assets of the Company and its subsidiaries.

The note is considered a compound financial instrument and other equity has been estimated for the convertible component of the note (see Note 17).

Note 16. Issued Capital

The share capital dollar value and number of shares on issue reflect those of Jaxsta Limited.

	31 December 2020	30 June 2020	31 December 2020	30 June 2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	247,190,330	247,190,330	32,792,654	32,792,654
	247,190,330	247,190,330	32,792,654	32,792,654

The movement of ordinary shares is listed below:

	Date	Issue Price	No. of Shares	\$
Balance	30 June 2019		231,326,901	29,969,770
Shares issued on exercise of employee options	10 October 2019	0.39	445,000	173,550
Shares issued on capital raising	18 December 2019	0.18	15,023,329	2,704,199
Shares issued in cleansing statement	18 December 2019	0.18	100	23
Shares issued on exercise of employee options	13 March 2020	0.39	395,000	154,050
Shares issue transaction costs				(208,938)
Balance	30 June 2020		247,190,330	32,792,654
Balance	31 December 2020		247,190,330	32,792,654

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings.

Note 17. Reserves

	31 December 2020	30 June 2020
	\$	\$
Share-based payment reserve	1,796,733	1,460,473
Balance at the beginning of the year	1,460,473	596,816
CEO share options expense	66,000	132,000
Employee option plan expense	-	105,788
Employee incentive option plan expense	17,625	39,552
NED option plan expense	64,200	97,414
Data Partner warrants granted	188,435	816,503
Credit adjustment for options exercised during the year	-	(327,600)
Balance at the end of the year	1,796,733	1,460,473

The following share-based payment arrangements were entered into during the six month period ended 31 December 2020.

Employee Incentive Options						
Number of Options	Strike Price	Issue Date	Status	Vesting Criteria	Expiry Date	Notes
475,000	0.154	7-Dec-20	Granted	Subject to exercise restrictions from grant date to 1st anniversary	6-Dec-26	1,2,3
950,000	0.154	7-Dec-20	Granted	Subject to exercise restrictions from grant date to 2nd anniversary	6-Dec-26	1,2,3
525,000	0.154	7-Dec-20	Granted	Vests in tranches for every 25,000 Jaxsta Pro Paid members at a minimum price per member.	6-Dec-26	1,2,3
125,000	0.154	7-Dec-20	Granted	Vests upon attaining the first \$2,000,000 in data solution deal	6-Dec-26	1,2,3
2,075,000	Total Employee Incentive Options					

Notes:

- 1) Issued under the terms of Incentive Option Plan (Jaxsta). Refer to the table for terms.
- 2) Vesting basis to remain employed by Jaxsta at vesting date (ranging from 0 to 1,825 days).
- 3) All options granted are in respect of ordinary shares in Jaxsta Limited and confer a right of one ordinary share for each option held.

Movement in the number of share options on issue

	31 December 2020 Number of options and warrants	31 December 2020 Weighted Average Exercise Price (\$)	31 December 2019 Number of options and warrants	31 December 2019 Weighted Average Exercise Price (\$)
Total options and warrants				
Outstanding at the beginning of the year	35,822,223	0.169	27,921,444	0.170
Granted	2,075,000	0.154	6,769,148	0.210
Forfeited	(76,922)	0.651	-	-
Exercised	-	-	(445,000)	-
Expired	-	-	-	-
Outstanding at year end	37,897,223	0.166	34,245,592	0.210
Exercisable at year end	37,897,223	0.166	34,245,592	0.210

Options Reserve

The fair value of issued Employee Incentive share options is calculated to be \$0.137 per option totalling \$82,463 (2019: \$82,463). The number of options granted during the six month period pursuant to the Employee Incentive Option Plan (Jaxsta) was 2,075,000 (2019: NIL).

Included under employees and contractor costs in the statement of profit and loss and other comprehensive income is a share-based payments expense of \$147,825 (2019: 194,784), representing the expense for the current reporting period.

Included under product development expenses in the statement of profit and loss and other comprehensive income is a share-based payments expense of \$188,435 (2019: 446,496), representing the expense for the current reporting period.

The value of share options issued during the half year has been calculated by using a binomial option pricing model applying the following inputs:

	Employee Incentive
Exercise prices	\$0.154
Underlying share prices	\$0.0915
Days to expiration	2,190
Days to vesting	365 to 2,190
Expected share price volatility*	132.33%
Risk free interest rate	0.1%

* Expected share price volatility has been based using comparable entities listed on the ASX which operate in the same industry group as Jaxsta Limited (Jaxsta). The Directors believed this to be a fair representation of Jaxsta's expected volatility at the time of issue in the absence of its own share volatility at the time.

The life of the options is based on the contracted expiry date.

Note 18. Other equity

	31 December 2020	30 June 2020
	\$	\$
Other equity	<u>57,750</u>	<u>-</u>

Other equity covers the equity component of the issued convertible notes. The liability component is included in Interest-bearing loans and borrowings (see Note 15).

Note 19. Fair value measurement of financial instruments

The carrying amounts of cash and cash equivalents, trade and other receivables, loans and advances and trade and other payables are carried at their amortised cost less any impairment. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current interest rate that is available for similar financial liabilities.

Note 20. Related Party Disclosures**Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following related party transactions occurred during the financial period:

Brett Cottle received a directors fee of \$15,000 for the half year and is paid to himself. Any other transactions throughout the year relate to reimbursements for expenses incurred by Jaxsta Ltd or his related entities on behalf of the Group.

Jorge Nigaglioni received a salary and directors fee of \$85,121 for the half year and is paid to himself. Any other transactions throughout the year relate to reimbursements for expenses incurred by Jaxsta Ltd or his related entities on behalf of the Group.

Linda Jenkinson received a directors fee of \$60,000 for the half year and is paid to herself. Any other transactions throughout the year relate to reimbursements for expenses incurred by Jaxsta Ltd or her related entities on behalf of the Group.

Robert Gaunt received a directors fee of \$15,000 for the half year and is paid to himself. Any other transactions throughout the year relate to reimbursements for expenses incurred by Jaxsta Ltd or his related entities on behalf of the Group.

Jacqui Louez Schoorl received a salary and directors fee of \$131,250 for the half year and is paid to herself. Any other transactions throughout the year relate to reimbursements for expenses incurred by her or her related entities on behalf of the Group.

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Note 21. Events After the Reporting Period

There are no events or circumstances that have arisen that would require disclosure in the financial report.

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Director's Declaration

In the opinion of the Directors of Jaxsta Limited:

- a. The interim consolidated financial statements and notes thereto for the half-year ended 31 December 2020 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- b. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the Directors in accordance with sections 303(4) and (5) of the Corporations Act 2001.

On behalf of the directors



Jacqueline Louez Schoorl

Executive Director & Chief Executive Officer

25 February 2021

Sydney, New South Wales

Independent Auditor's Review Report

To the Members of Jaxsta Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Jaxsta Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half year financial report of Jaxsta Limited does not comply with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of Jaxsta Limited's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

Material uncertainty related to going concern

We draw attention to Note 3 in the financial report, which indicates that the Group incurred a net loss of \$2,594,487 during the half year ended 31 December 2020 and has net cash outflows from operations of \$1,096,768. As stated in Note 3, these events or conditions, along with other matters as 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 conclusion is not modified in respect of this matter.

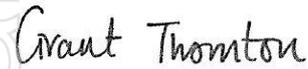
Directors' responsibility for the half year financial report

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

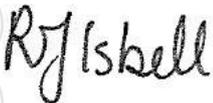
Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



R J Isbell
Partner – Audit & Assurance

Sydney, 25 February 2021

Corporate Directory

Directors

Linda Jenkinson
Chair

Jacqueline Louez Schoorl
Executive Director, CEO and Co-founder

Jorge Nigaglioni
Executive Director, CFO and Company Secretary

Brett Cottle
Independent, Non-Executive Director

Ken Gaunt
Non-Executive Director

Key Executives

Jacqueline Louez Schoorl
Executive Director, CEO and Co-founder

Jorge Nigaglioni
Executive Director, CFO and Company Secretary

Michael Stone
Chief Technology Officer

Registered Office

Level 1/ 113-115 Oxford Street
Darlinghurst NSW 2010

Contact Details

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Tel: (02) 8317 1000
Email: jaxstainvestors@jaxsta.com

Auditors

Grant Thornton Audit Pty Ltd
17/383 Kent St,
Sydney NSW 2000
<https://www.automicgroup.com.au/>

Principle Place of Business

Level 1/ 113-115 Oxford Street
Darlinghurst NSW 2010

Share Registry

Automic Pty Limited
Level 2, Canning Highway
Perth WA 6000

Jaxsta Limited ordinary shares are listed on the Australian Stock Exchange (ASX) under the ticker JXT.

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The story behind the music

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