



# **Interim Financial Report**

**For the half-year ended 31 December 2019**

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## Directors' Report

The Directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the **Group**) consisting of Jaxsta (referred to hereafter as the **company** or **parent entity**) and the entities it controlled at the end of, or during, the period ended December 2019.

### Directors

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

- Brett Cottle (Non-Executive Chairman)
- Jacqueline Louez Schoorl (Executive)
- Linda Jenkinson (Non-Executive)
- Jorge Nigaglioni (Non-Executive)

### Review of operations and financial results

The loss for the Group after providing for income tax amounted to \$3,275,430 (31 December 2018 (restated): \$9,928,104).

#### *Key financial matters*

- Employee Benefit Expense includes a non-cash component of \$194,784 to record stock options expenses
- Product Development Expense includes a non-cash component of \$446,496 to record stock options expenses
- Cash & Cash equivalents at 31 December 2019 of \$3,786,730
- Pre-existing Goodwill of \$4,025,904

Additional capital raising activities were undertaken during the period resulting in the receipt of additional cash of \$2,704,224. 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 2019.

#### *Development update*

Jaxsta achieved its commercialisation milestone during 1H FY20 with the global launch of the Company's first revenue-generating product Jaxsta Pro – a business to business, subscription-based platform that provides a comprehensive and authenticated source of music credits data. The successful launch came at the conclusion of extensive user acceptance testing, other tests on Jaxsta Pro<sup>Beta</sup> and the ingestion of data into the Jaxsta Platform after contracts with data partners were finalised.

As at the end of 1H FY20, the Company holds 32 licensing data agreements covering approximately ~90 per cent of the popular world's music market<sup>1</sup>. The 32 data partners include Sony Music Entertainment, Universal Music, Warner Bros Music and Merlin (the independents' digital music agency which represents tens of thousands of record labels from 63 countries). This strong alignment with our data partners is evidenced by their ~2% total equity holdings in Jaxsta.

Jaxsta's database now provides more than 100 million official credits to over 22 million unique recordings, 1.8 million artists and 400,000 producers and engineers.

The Company's CEO and Co-Founder, Jacqui Louez Schoorl, continued engagement with new and existing investors throughout the period and was invited to present at the ASX Small and Mid-Cap Conference in September 2019 in Sydney.

Jaxsta continued developing the platform's capabilities as seen in the utilisation of Jaxsta's first bespoke 'big data solution' / Commercial API utilising the platform's capability in the 'Behind the Record' campaign conducted with The Recording Academy. The Company continues to develop other bespoke big data solutions including commercial APIs which will increase utilisation. These opportunities will be announced once the relevant partnerships have progressed into commercial agreements.

The momentum in activity generated by Jaxsta in the first half of this financial year has begun to flow through to the second half. This included the post 1H FY20 announcement of Jaxsta's first revenue-generating commercial deal for Jaxsta Pro signed with APRA AMCOS which gives Jaxsta education and marketing exposure to just over 100,000 of that organisation's members. Followed by the renewal of the commercial data access agreement with The Recording Academy for a further two years which included securing hospitality rights to the annual GRAMMY Awards® events and marketing opportunities to its large member base.

The Company continues to expand on rolling out its global sales and marketing strategy, this includes securing additional data partners and expanding the product and platform capabilities.

### **Subsequent event after the reporting period**

On 14 January 2020 Jaxsta entered into an agreement with Innovation Structured Finance Co. (NY) to borrow an amount of \$339,731 secured against Jaxsta's eligible Research & Development Rebate for the period 1 July 2019 to 30 November 2019. The loan is repayable by 31 October 2020 from the proceeds of Jaxsta's 2020 Research & Development Rebate due from the Australian Taxation Office.

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<sup>1</sup> As calculated according to the distributor's estimated individual market share by number of streams as quoted to Jaxsta by our data partners.

Except for the events listed above there has not arisen, in the interval between the end of the interim period and the date of this report, any item, transaction or event likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in the future financial period.

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 (Cth) is included on page 4 of this financial report and forms part of this Directors' Report.

This report was made in accordance with a resolution of Directors.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Jacqueline Louez Schoorl".

Jacqueline Louez Schoorl

**Chief Executive Officer**

26 February 2020

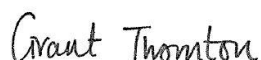
Sydney, New South Wales

## 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 2019, 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, 26 February 2020

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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 2019**



		<b>31 December 2019</b>	<b>31 December 2018 (restated)</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue from continuing operations</b>			
Revenue		405	-
Cost of sales		(98)	-
		<hr/>	<hr/>
Gross profit		307	-
Interest income		2,565	102
<b>Other Income</b>			
Research and development rebate		1,335,195	685,657
		<hr/>	<hr/>
<b>Total Other Income</b>		<b>1,335,195</b>	<b>685,657</b>
<b>Expenses</b>			
Employee benefits expense		(1,853,449)	(1,023,819)
Marketing expenses		(328,084)	(29,412)
Occupancy expenses		(71,009)	(59,196)
Professional fees		(368,795)	(464,606)
Product development expense		(959,482)	(193,299)
Depreciation and amortisation expense		(41,107)	(32,873)
Finance costs		(4,870)	(9,642)
Other expenses		(386,701)	(273,785)
Listing expenses	<b>4</b>	-	(8,527,231)
Fair value movement on financial assets	<b>12</b>	(600,000)	-
		<hr/>	<hr/>
<b>Total Expenses</b>		<b>(4,613,497)</b>	<b>(10,613,863)</b>
		<hr/>	<hr/>
<b>Loss before income tax</b>		<b>(3,275,430)</b>	<b>(9,928,104)</b>
Income tax expense		-	-
		<hr/>	<hr/>
<b>Loss after income tax expense for the year attributable to the owners of Jaxsta Limited</b>		<b>(3,275,430)</b>	<b>(9,928,104)</b>
		<hr/>	<hr/>
Other comprehensive income for the year, net of tax		-	-
		<hr/>	<hr/>
<b>Total comprehensive income for the year attributable to the owners of Jaxsta Limited</b>		<b>(3,275,430)</b>	<b>(9,928,104)</b>
		<hr/>	<hr/>
<b>Earnings per share</b>			
Basic earnings per share (cents)	<b>11</b>	(1.41)	(21.25)
Diluted earnings per share (cents)	<b>11</b>	(1.41)	(21.25)

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

**Jaxsta Limited**  
**Interim Financial Report | Consolidated Statement of Financial Position**  
**For the half-year ended 31 December 2019**



		<b>31 December 2019</b>	<b>30 June 2019 (restated)</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		3,786,730	2,452,760
Trade and other receivables	<b>12</b>	2,335,312	705,248
Other assets		271,470	187,402
<b>TOTAL CURRENT ASSETS</b>		<b>6,393,512</b>	<b>3,345,410</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	<b>12</b>	-	3,176,187
Property, plant and equipment	<b>13</b>	54,675	42,019
Intangible assets	<b>14</b>	361,891	367,941
Goodwill	<b>15</b>	4,025,904	4,025,904
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,442,470</b>	<b>7,612,051</b>
<b>TOTAL ASSETS</b>		<b>10,835,982</b>	<b>10,957,461</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		563,242	599,692
Borrowings	<b>16</b>	75,056	26,597
Provisions		158,304	159,389
<b>TOTAL CURRENT LIABILITIES</b>		<b>796,602</b>	<b>785,678</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		84,596	88,902
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>84,596</b>	<b>88,902</b>
<b>TOTAL LIABILITIES</b>		<b>881,198</b>	<b>874,580</b>
<b>NET ASSETS</b>		<b>9,954,784</b>	<b>10,082,881</b>
<b>EQUITY</b>			
Contributed equity	<b>17</b>	32,649,373	29,969,770
Accumulated losses		(23,759,135)	(20,483,705)
Reserves	<b>18</b>	1,064,546	596,816
<b>TOTAL EQUITY</b>		<b>9,954,784</b>	<b>10,082,881</b>

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



**Jaxsta Limited**  
**Interim Financial Report | Consolidated Statement of Changes in Equity**  
**For the half-year ended 31 December 2019**



	Contributed equity (restated) \$	Reserves \$	Accumulated losses (restated) \$	Total equity \$
<b>Balance at 1 July 2018</b>	<b>7,974,578</b>	<b>-</b>	<b>(6,099,601)</b>	<b>1,874,977</b>
Loss after income tax expense for the year (originally reported)	-	-	(15,628,398)	(15,628,398)
Adjustment on error correction (note 4)	-	-	5,700,294	5,700,294
Reported loss for the year (restated)	-	-	(9,928,104)	(9,928,104)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(9,928,104)	(9,928,104)
<b>Transactions with owners in their capacity as owners</b>				
Shares issued during the period	24,318,197	-	-	24,318,197
Adjustment on error correction	(5,700,294)	-	-	(5,700,294)
Share based payments	-	62,446	-	62,446
<b>Balance at 31 December 2018 (restated)</b>	<b>26,592,481</b>	<b>62,446</b>	<b>(16,027,705)</b>	<b>10,627,222</b>
<b>Balance at 1 July 2019 (originally reported)</b>	<b>35,670,064</b>	<b>596,816</b>	<b>(26,183,999)</b>	<b>10,082,881</b>
Adjustment on error correction (note 4)	(5,700,294)	-	5,700,294	-
<b>Balance at 1 July 2019 (restated)</b>	<b>29,969,770</b>	<b>596,816</b>	<b>(20,483,705)</b>	<b>10,082,881</b>
Loss after income tax expense for the year	-	-	(3,275,430)	(3,275,430)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,275,430)	(3,275,430)
<b>Transactions with owners in their capacity as owners</b>				
Contributions of equity, net of transaction cost (note 17)	2,679,603	-	-	2,679,603
Share-based payment (note 18)	-	467,730	-	467,730
<b>Balance at 31 December 2019</b>	<b>32,649,373</b>	<b>1,064,546</b>	<b>(23,759,135)</b>	<b>9,954,784</b>

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

**Jaxsta Limited**  
**Interim Financial Report | Consolidated Statement of Cash Flows**  
**For the half-year ended 31 December 2019**



	31 December 2019 \$	31 December 2018 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	3,198	-
Receipts from customers	810,877	685,657
Receipts from grants - research & development	(3,491,360)	(1,630,949)
Payments to suppliers and employees	2,564	102
Interest received	(3,782)	(9,642)
Interest paid		
	<u>(2,678,503)</u>	<u>(954,832)</u>
<b>Net cash flows (used in) operating activities</b>		
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	(23,690)	(3,045)
Payments for property, plant and equipment	(24,022)	(40,409)
Payment for intangibles	-	5,182,372
Cash acquired from acquisition of subsidiary	1,500,000	-
Proceeds from deferred MRT transaction		
	<u>1,452,288</u>	<u>5,138,918</u>
<b>Net cash flows provided by investing activities</b>		
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	2,704,224	1,566,645
Proceeds from issue of shares	(192,498)	(388,039)
Share issue transaction costs	100,167	71,572
Proceeds from borrowings	(51,708)	-
Repayment of borrowings	-	(245,742)
Loan repayments made to related parties		
	<u>2,560,185</u>	<u>1,004,436</u>
<b>Net cash flows provided by financing activities</b>		
	1,333,970	5,188,522
Net increase in cash held	2,452,760	46,299
Cash at beginning of financial year	<u>3,786,730</u>	<u>5,234,821</u>
<b>Cash at the end of the period</b>		

The accompanying notes should be read in conjunction with these 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 the label copy.

Completion of the reverse takeover in December 2018 constituted a significant change in the nature of the activities of the Group. The Group's focus is now solely pursuing the principal activities of Jaxsta as set out above.

## **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 2019. 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 2019 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 26 February 2020.

### **New standards adopted as at 1 July 2019.**

The Group has adopted the new accounting pronouncements which have become effective this period, and are as follows:

#### **AASB 16 Leases**

AASB 16 Leases replaces AASB 117 Leases along with three Interpretations (Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases-Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

The application of this standard has no impact on this financial report as the Group does not hold any long term leases.

#### **Other pronouncements**

Other accounting pronouncements which have become effective from 1 July 2019 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

### **Note 3. Going concern basis of accounting**

The Group incurred a loss after tax of \$3,275,430 and has a net cash outflow from operations of \$2,678,503 for the period ended 31 December 2019. 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 \$3,015,694. The consolidated entity is 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. Product sales started in November 2019 following the commercial launch on 22 November 2019 of Jaxsta Pro Beta.

Management have prepared cash flow forecasts for the Group for the 12 month period ending 28 February 2021 which assumes continuity of business on the basis of the following events occurring:

- a) the release of additional key features within the Jaxsta Pro product which will enable it to exit its beta phase and be promoted heavily across Jaxsta's target markets resulting in further commercialisation, accordingly cash receipts from subscription revenues have been forecasted;
- b) further development and deployment of Jaxsta's big data solutions (including bespoke API development) and commencement of commercialisation, accordingly cash receipts from big data solution revenues have been forecasted;
- c) the receipt of a research and development tax concession from the Government for the financial year ended 30 June 2020 and receipt of advance funding pursuant to a limited recourse loan secured against the future research and development tax concessions that Group expects to receive in respect of FY2020;
- d) the receipt of the final payment of deferred consideration due in respect of the sale of Marine Rescue Technologies Limited (**MRT**) as approved by Shareholders on 25 November 2019<sup>1</sup> being either:
  - I. \$1,700,000 payable no later than 31 March 2020 ; or
  - II. \$2,300,000 payable no later than 31st December 2020 ;
- e) continued development of compelling features and refining product-market fit for the suite of tools available within Jaxsta.com and Jaxsta Pro and also exploring additional opportunities to deploy Jaxsta's big data solutions; and
- f) if necessary, the exploration of various capital management initiatives and opportunities in the next 12 months.

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

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<sup>1</sup> Further detail relating to the sale of MRT is set out in the Company's 2019 Notice of Annual General Meeting, see ASX release dated 17 October 2019.

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 Interim 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 going concerns.

#### **Note 4. Acquisition accounting and comparative information**

On 28 December 2018, Jaxsta Limited (the 'legal parent') acquired Jaxsta Holdings Pty Ltd (the 'legal subsidiary'). For accounting purposes, the acquisition has been accounted for as a share-based payment and the principles of reverse acquisition have been applied.

#### **Correction of prior period of error**

Listing expenses recorded in the Consolidated Statement of Profit or Loss and Comprehensive Income for the six months ended 31 December 2018 has been restated as a result of a review of the application of AASB 3 Business Combination which determined that the listing expense was overstated. This error has been rectified by restating each of the affected financial statement line items for prior periods as follows:

<b>Statement of financial position (extract)</b>	<b>31 December 2018</b>		
	<b>Previous amount</b>	<b>Adjustment</b>	<b>Restated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Contributed equity	32,292,775	(5,700,294)	26,592,481
Accumulated losses	(21,727,999)	5,700,294	(16,027,705)

<b>Statement of profit of loss and other comprehensive income (extract)</b>	<b>31 December 2018</b>		
	<b>Previous amount</b>	<b>Adjustment</b>	<b>Restated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Listing expenses	(14,227,525)	5,700,294	(8,527,231)
Total Expenses	(16,314,157)	5,700,294	(10,613,863)
Loss before income tax	(15,628,398)	5,700,294	(9,928,104)
Loss after income tax expense	(15,628,398)	5,700,294	(9,928,104)
Total comprehensive income attributable to the owners of Jaxsta Limited	(15,628,398)	5,700,294	(9,928,104)
Basic earnings per share (cents)	(33.46)	15.21	(21.25)
Diluted earnings per share(cents)	(33.46)	15.21	(21.25)

## **Note 5. Changes in significant accounting policies**

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 2019, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 30 June 2019 are the relevant policies for the purposes of comparatives.

Comparative figures in the statement of profit or loss and other comprehensive were adjusted to conform with the current years presentation.

### **Other Income**

#### **Research & Development tax concession**

Research and development tax concession is recognised on an accrual basis.

Jaxsta has adopted the income approach to accounting for research and development tax concession pursuant to AASB 120 'Accounting for Government Grants and Disclosure of Government Assistance' whereby the concession is recognised in profit or loss on a systematic basis in the periods in which the entity recognises the eligible expenses.

## **Note 6. Principles of consolidation**

The Interim Financial Statements incorporate the assets and liabilities of all subsidiaries of Jaxsta as at 31 December 2019 and the results of all subsidiaries for the 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.

The acquisition of Jaxsta Holdings Pty Limited by Jaxsta in December 2018 has been accounted as a share-based payment in accordance with AASB 2 'Share-based Payments' and the Interim Financial Statements represent a continuation of the financial statements of Jaxsta Holdings. The comparative information is related to Jaxsta Holdings Pty Limited and its controlled entities operations and not those of Jaxsta. Refer to 'Business Combination' accounting policy below of this Report for further explanation of the accounting for this transaction.

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 7. Critical accounting judgements, estimates and assumptions**

The preparation of the Interim 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 the Monte Carlo 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.

##### **Goodwill**

Goodwill arises as a result of a business combination and represents the excess of the fair value of the consideration over the fair value of the net assets acquired, which involved judgement. The Group tests goodwill for impairment annually or more frequently if events or changes in circumstances indicate the goodwill may be impaired. The recoverable amount of each Cash Generating Unit ('CGU') is determined based on fair value less costs to sell which is based on recently transacted market prices of the Jaxsta Limited stock on the ASX that arose from capital raisings.

##### **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.

***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 six months ended 31 December 2019 and believes the estimate to be reasonable under the circumstances.

***Reverse acquisition and listing expense***

The deemed acquisition cost is based on the notional amount of shares that Jaxsta Holdings Pty Limited would have needed to issue to acquire the same shareholding percentage in Mobilarm Limited at the acquisition date. The fair value of assets acquired and liabilities assumed are estimated by the group taking into consideration all available information at the reporting date.

***Recoverability of MRT receivable***

In assessing recoverability, management estimates the recoverable amount of the receivable based on expected future cash flows.

**Note 8. Segment reporting**

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 2019, 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 profit reconciles to the Group's profit before tax as presented in its financial statements.

**Note 9. Key management personnel compensation**

Remuneration arrangements of key management personnel are disclosed in 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 as measured by the fair value of the options, rights and shares granted on grant date. Share-based payments is detailed in Note 18.



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**Note 10. Dividends**

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

**Note 11. Earnings per share**

	31 December 2019	31 December (restated)
	\$	\$
Loss after income tax attributable to the owners of Jaxsta Limited	<u>(3,275,430)</u>	<u>(9,928,104)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>232,623,830</u>	<u>46,711,227</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>232,623,830</u>	<u>46,711,227</u>
	Cents	Cents
Basic earnings per share	(1.41)	(21.25)
Diluted earnings per share	(1.41)	(21.25)

The weighted average number of ordinary shares for the comparative period has been adjusted to give effect to the capital reorganisation which occurred during 31 December 2018.

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company (Jaxsta Ltd) as the numerator, i.e. no adjustments to profits were necessary during the six months period to 31 December 2019 and 31 December 2018.

**Note 12. Trade and other receivables**

	31 December 2019	30 June 2019
	\$	\$
<b>Current</b>		
Trade receivables	26,933	-
GST receivable	78,501	74,735
Other receivables (i)	<u>2,229,878</u>	<u>630,513</u>
<b>Total</b>	<u><b>2,335,312</b></u>	<u><b>705,248</b></u>

(i) \$1,700,000 of other receivables relates to the fair value of deferred consideration in relation to the sale of the MRT business which is due from Secure2go Group Ltd by 31 March 2020. The shareholders approved changes to the terms of the loan to Secure2Go Group Ltd at the Annual General Meeting such that the loan amount reduced to \$3.2m (of which \$1.5m has been paid). This has resulted in a fair value movement of \$600,000 which is recorded in the statement of profit and loss as at 31 December 2019. \$524,318 of other receivables relates to accrued Research & Development Rebate.

**Non Current**

	31 December 2019	30 June 2019
	\$	\$
Other receivables (i)	-	4,000,000
Provision for impairment	<u>-</u>	<u>(823,813)</u>
	<u>-</u>	<u>3,176,187</u>
<b>Total Trade and other receivables</b>	<u><b>2,335,312</b></u>	<u><b>3,881,435</b></u>

(i) Other receivables relate to the deferred consideration in relation to the sale of the MRT business which is due from Secure2go Group Ltd by 31 March 2020.

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

The following tables show the movements in property, plant and equipment.

	Office Equipment \$	Leasehold Improvements \$	Computer Equipment \$	Total \$
<b>Gross carrying amount</b>				
Balance at 1 July 2019	41,446	312,163	118,116	471,725
Additions	2,156	-	21,534	23,690
<b>Balance at 31 December 2019</b>	<b>43,602</b>	<b>312,163</b>	<b>139,650</b>	<b>495,415</b>
<b>Depreciation and impairment</b>				
Balance at 1 July 2019	(16,147)	(312,163)	(101,396)	(429,706)
Depreciation expense	(3,252)	-	(7,782)	(11,034)
<b>Balance at 31 December 2019</b>	<b>24,203</b>	<b>-</b>	<b>30,473</b>	<b>54,675</b>
<b>Balance at 1 July 2018</b>	<b>37,171</b>	<b>312,163</b>	<b>107,092</b>	<b>456,426</b>
Additions	-	-	3,045	3,045
<b>Balance at 31 December 2018</b>	<b>37,171</b>	<b>312,163</b>	<b>110,137</b>	<b>459,471</b>
<b>Depreciation and impairment</b>				
Balance at 1 July 2018	(10,983)	(312,163)	(93,133)	(416,280)
Depreciation expense	(2,308)	-	(3,777)	(6,085)
<b>Balance at 31 December 2018</b>	<b>23,880</b>	<b>-</b>	<b>13,227</b>	<b>37,107</b>

**Note 14. Intangible assets**

The following tables show the movements in intangible assets.

	Platform Development Costs \$	Other Intangibles \$	Patent & Trademark \$	Total \$
<b>Gross carrying amount</b>				
Balance at 1 July 2019	178,963	92,035	191,756	462,754
Additions	-	-	24,022	24,022
<b>Balance at 31 December 2019</b>	<b>178,963</b>	<b>92,035</b>	<b>215,778</b>	<b>486,776</b>
<b>Amortisation and impairment</b>				
Balance at 1 July 2019	(2,778)	(92,035)	-	(94,813)
Amortisation charge	(30,072)	-	-	(30,073)
<b>Balance at 31 December 2019</b>	<b>146,113</b>	<b>-</b>	<b>215,778</b>	<b>361,891</b>
<b>Gross carrying amount</b>				
Balance at 1 July 2018	147,508	94,640	128,285	370,433
Additions	6,000	-	13,771	19,771
<b>Balance at 31 December 2018</b>	<b>153,508</b>	<b>94,640</b>	<b>142,056</b>	<b>390,204</b>
<b>Amortisation and impairment</b>				
Balance at 1 July 2018	-	(26,649)	-	(26,649)
<b>Balance at 31 December 2018</b>	<b>153,508</b>	<b>67,991</b>	<b>142,056</b>	<b>363,555</b>

**Note 15. Goodwill**

The following tables shows the movements in goodwill.

	31 December 2019 \$	30 June 2019 \$
<b>Gross carrying amount</b>		
Balance at the beginning of period	(i) 4,025,904	4,025,904
<b>Balance at the end of the period</b>	<b>4,025,904</b>	<b>4,025,904</b>
<b>Accumulated impairment</b>		
Balance at the beginning of the period	-	-
<b>Balance at the end of the period</b>	<b>4,025,904</b>	<b>4,025,904</b>

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(i) Goodwill has been capitalised at the amount of excess consideration paid over purchase of Jaxsta Enterprise Pty Ltd. The recoverable amount of Jaxsta business is determined based on fair value less costs to sell, which is based on recent capital raisings and quoted prices on the active market, being the ASX. The cash generating unit is Jaxsta Enterprise Pty Ltd. In December 2019, the company raised equity funds via the issue of 15,023,329 shares at an issue price of \$0.18 per share raising a total of \$2,704,199. The active market transactions would value the cash generating unit in excess of its carrying value based on the respective market capitalisation. The market price of the Jaxsta Ltd shares as at the date of this report is \$0.08.

**Note 16. Borrowings**

		31 December 2019	30 June 2019
		\$	\$
Insurance funding	(i)	75,056	26,597
<b>Total</b>		<b>75,056</b>	<b>26,597</b>

(i) Insurance funding is a ten months short term loan with an fixed interest rate of 5.9% (2018: 5.85%).

**Note 17. Issued Capital**

During the 6 month period ended 31 December 2019, 445,000 shares were issued to satisfy share options previously granted under the Group's employee share option scheme. During this period, the weighted average share price at the date of exercise was \$0.19.

The Group also issued 15,023,429 shares on 17 December 2019 for cash, corresponding to 6.09% of total shares issued. Each share has the same right to receive dividends and the repayment of capital and represents one vote at the shareholders' meeting of Jaxsta Limited. Shares issued and authorised are summarised as follows:

		31 December 2019	30 June 2019	31 December 2019	30 June 2019 (restated)
		Shares	Shares	\$	\$
Ordinary shares - Fully paid		246,795,330	231,326,901	32,649,373	29,969,770
		<b>246,795,330</b>	<b>231,326,901</b>	<b>32,649,373</b>	<b>29,969,770</b>

	Date	Issue Price	No. of shares	\$ (restated)
Balance	1 July 2018		498,119,559	7,974,578
Share consolidation 1 for 10	17 August 2018		(448,307,453)	-
Performance shares	28 December 2018	0.00	550,000	-
Conversion of loan	28 December 2018	0.13	32,000,000	4,000,000
Shares to effect the acquisition of Jaxsta Holdings Pty Ltd.	28 December 2018	0.20	109,399,795	21,879,959
Notional reverse acquisition adjustment	28 December 2018		-	(11,854,036)
Shares issued on capital raising	28 December 2018	0.20	26,345,000	5,269,000
Shares issued on capital raising	14 May 2019	0.25	13,220,000	3,305,000
Shares issue transaction costs, net of tax				(604,731)
Conversion of performance share rights	28 September 2019	0.39	445,000	173,550
Shares issued on capital raising	17 December 2019	0.18	15,023,329	2,704,199
Shares issued on capital raising	17 December 2019	0.25	100	25
Shares issue transaction costs, net of tax			-	(198,171)
<b>Balance</b>	<b>31 December 2019</b>		<b>246,795,330</b>	<b>32,649,373</b>

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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 18. Reserves**

	31 December 2019	30 June 2019
	\$	\$
Share based payment reserve	<u>1,064,546</u>	<u>596,816</u>
Balance at the beginning of the year	596,816	-
CEO share options expense	66,542	66,903
Lead Manager options expense	-	61,000
Non executive director options expense	33,410	-
Employee option plan	72,150	280,313
Employee incentive option plan expense	22,682	11,341
Data Partner warrants granted	446,496	177,259
Exercised employee option plan options	<u>(173,550)</u>	<u>-</u>
<b>Balance at the end of the year</b>	<b><u>1,064,546</u></b>	<b><u>596,816</u></b>

The following share-based payment arrangements were entered into during the six month period ended 31 December 2019.

Non Executive Director Options						
Number of Options	Exercise Price (\$)	Granted Date	Status	Vesting Conditions	Expiry Date	Note
6,000,000	0.20	27-Sep-19	Granted	I. one quarter of the options will vest when the volume weighted share price ("VWAP") hits \$0.30 for a period of 30 days; II. one quarter of the options will vest when the VWAP hits \$0.40 for a period of 30 days; III. one quarter of the options will vest when the VWAP hits \$0.50 for a period of 30 days; IV. one quarter of the options will vest when the VWAP hits \$0.60 for a period of 30 days.	27-Sep-24	1
6,000,000	Total Non Executive Directors Options					
Data Partner Warrants						
234,574	0.01	30-Jul-19	Granted	Vesting 12 months after date of issue	31-Jul-27	2
234,574	0.01	30-Jul-19	Granted	Vesting 24 months after date of issue	31-Jul-28	2
150,000	0.231	30-Sep-19	Granted	Vesting date of issue	30-Sep-26	2
150,000	0.231	30-Sep-19	Granted	Vesting 12 months after date of issue	30-Sep-27	2
769,148	Total Data Partner Warrants					

**Notes:**

1. Issued pursuant to the 2018 rights issue document dated 27 September 2019.
2. Warrants to various data partners between 31 July 2019 to 30 September 2019.

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**Movement in the number of share options on issue**

	31 December 2019		31 December 2018	
	Number of Options & warrants	Weighted Average Exercise Price (\$)	Number of Options & warrants	Weighted Average Exercise Price (\$)
<b>Total options and warrants</b>				
Outstanding at the beginning of the year	27,921,444	0.170	-	-
Granted	6,769,148	0.210	21,000,000	0.205
Forfeited	-	-	-	-
Exercised	445,000	-	-	-
Expired	-	-	-	-
Outstanding at half year end	34,245,592	0.210	21,000,000	0.205
Exercisable at half year end	34,245,592	0.210	21,000,000	0.205

**Options Reserve**

The fair value of issued Data Partner Warrants is calculated to be between \$0.1215 to \$0.2013 per warrant totalling \$130,860 (2018: \$NIL). The number of warrants granted during the half year pursuant to the Incentive Option Plan (Jaxsta) was 769,148 (2018: \$NIL).

The fair value of issued Non Executive Director share options is calculated to be \$0.107 per option totalling \$641,804 (2018: NIL). The number of options granted during the half year pursuant to the ESOP was 6,000,000 (2018: NIL).

In September 2019, the Senior Employees exercised 445,000 options with an exercise price of Nil. The value of these options is \$173,550.

Included under employees and contractor costs in the statement of profit and loss and other comprehensive income is a share-based payments expense of \$194,784 (2018: \$1,446), representing the expense for the current reporting period.

Included under product development expense in the statement of profit and loss and other comprehensive income is a share-based payments expense of \$446,496 (2018: NIL), 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:

	Lead Manager	Data Partner	Data Partner Warrants
Exercise prices	\$0.20	\$0.231	\$0.01
Underlying share prices	\$0.26	\$0.231	\$0.21
Fair value per option	\$0.107	\$0.125	\$0.2013
Days to expiration	1,825	2555 to 2920	2920 to 3285
Days to vesting	0 to 1,825	0 to 730	365 to 730
Expected share price volatility	50%	50%	50%
Risk free interest rate	1.21%	1.21%	1.21%

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 fair representation of Jaxsta expected volatility in the absence of volatility.

Historical volatility is assumed to be indicative of future volatility however future volatility may not replicate historical volatility.

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

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**Note 19. Fair value measurement of financial instruments**

**(a) Fair value hierarchy**

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that is not based on observable market data (unobservable inputs)

The Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2019 and 30 June 2019 on a recurring basis are as follows:

<b>31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Cash and cash equivalents	3,786,730	-	-	3,786,730
Trade and other receivables	2,335,312	-	-	2,335,312
Loans and advances	271,470	-	-	271,470
<b>Total financial assets</b>	<b>6,393,512</b>	<b>-</b>	<b>-</b>	<b>6,393,512</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Trade and other payables	563,242	-	-	563,242
Borrowings	75,056	-	-	75,056
<b>Total financial assets</b>	<b>638,298</b>	<b>-</b>	<b>-</b>	<b>638,298</b>
<b>30 June 2019</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Cash and cash equivalents	2,452,760	-	-	2,452,760
Trade and other receivables	705,248	-	-	705,248
Loans and advances	187,402	-	-	187,402
<b>Total financial assets</b>	<b>3,345,410</b>	<b>-</b>	<b>-</b>	<b>3,345,410</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Trade and other payables	599,692	-	-	599,692
Borrowings	26,597	-	-	26,597
<b>Total financial assets</b>	<b>626,289</b>	<b>-</b>	<b>-</b>	<b>626,289</b>

**(b) Measurements of fair value of financial instruments**

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

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 valuable for similar financial liabilities.

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Cash and cash equivalents
- Trade and other receivables
- Other assets

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

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**(c) Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position as at 31 December 2019. These sensitivities assume that the movement in a particular variable is independent of other variables.

	31 December 2019		30 June 2019	
	Net carrying value \$	Net fair value \$	Net carrying value \$	Net fair value \$
<b>Financial assets</b>				
Cash and cash equivalents	3,786,730	3,786,730	2,452,760	2,452,760
Trade and other receivables	2,335,312	2,335,312	705,248	705,248
Other assets	271,470	271,470	187,402	187,402
<b>Total financial assets</b>	<b>6,393,512</b>	<b>6,393,512</b>	<b>3,345,410</b>	<b>3,345,410</b>
	31 December 2019		30 June 2019	
	Net carrying value \$	Net fair value \$	Net carrying value \$	Net fair value \$
<b>Financial liabilities</b>				
Trade and other payables	563,242	563,242	599,692	599,692
Loans and borrowings	75,056	75,056	26,597	26,597
<b>Total financial liabilities</b>	<b>638,298</b>	<b>638,298</b>	<b>626,289</b>	<b>626,289</b>

Cash and cash equivalents, trade and other receivables, loans and advances and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

**Note 20. Contingent Assets and Contingent Liabilities**

There were no contingent assets or contingent liabilities which would have a material effect on the consolidated entity's financial statements as at 31 December 2019 (2018: \$ nil).

**Note 21. Events After the Reporting Period**

On 14 January 2020 Jaxsta entered into an agreement with Innovation Structured Finance Co. (NY) to borrow an amount of \$339,731 secured against Jaxsta's eligible Research & Development Rebate for the period 1 July 2019 to 30 November 2019. The loan is repayable by 31 October 2020 from the proceeds of Jaxsta's 2020 Research & Development Rebate due from the Australian Taxation Office.

Except for the events listed above there has not arisen, in the interval between the end of the interim period and the date of this report, any item, transaction or event likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in the future financial period.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Jacqueline Louez Schoorl  
**Executive Director**

26 February 2020  
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 2019, 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, nothing has come to our attention that causes us to believe that the half year financial report of Jaxsta Limited does not give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

#### Material uncertainty related to going concern

We draw attention to Note 3 in the financial report, which indicates that the Group incurred a loss after tax of \$3,275,430; showed net cash outflows from operations of \$2,678,503 during the half year ended 31 December 2019. 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

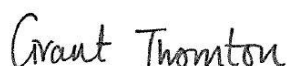
Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, 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 Company's financial position as at 31 December 2019 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*. As the auditor of Jaxsta Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

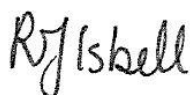
A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards 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.

#### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



R J Isbell  
Partner – Audit & Assurance

Sydney, 26 February 2020

## **Directors**

**Brett Cottle**

Chairman

**Jacqueline Louez Schoorl**

Executive Director

**Linda Jenkinson**

Non-Executive Director

**Jorge Nigaglioni**

Non-Executive Director

## **Company Secretary**

Shelley Burger

## **Key Executives**

**Jacqueline Louez Schoorl**

Chief Executive Officer

**Renee Bryant**

Chief Financial Operations Officer

**Philip Morgan**

Chief Information Officer

**Shelley Burger**

General Counsel &  
Company Secretary

## **Registered Office**

Level 1/ 113-115 Oxford Street  
Darlinghurst NSW 2010

## **Contact details**

Web: [jaxsta.com](http://jaxsta.com)

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Email: [jaxstainvestors@jaxsta.com](mailto:jaxstainvestors@jaxsta.com)

## **Auditors**

Grant Thornton Audit Pty Ltd  
17/383 Kent Street  
Sydney NSW 2000

## **Principle place of business**

Level 1/ 113-115 Oxford Street  
Darlinghurst NSW 2010

## **Share Registry**

Automic Pty Limited  
Level 2, 267 St Georges Terrace  
Perth WA 6000

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