

ASX Release

JAXSTA PRELIMINARY FINAL REPORT FOR THE 30 JUNE 2023 FINANCIAL YEAR

Melbourne, Australia, 31 August 2023: Jaxsta Limited ACN 106 513 580 (**Jaxsta** or the **Company**, ASX: JXT), the world's largest database of official music credits, is pleased to release its preliminary final report and appendix 4E for the year ending 30 June 2023.

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Authorisation & Additional Information:

This announcement was authorised by
the Board of Directors of Jaxsta Limited

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ABOUT JAXSTA

Jaxsta is the world's only official music credits database. It contains more than 355 million official, deep-linked music credits across 110 million pages, sourced from over 366 data partners, including record labels, publishers and industry associations. Jaxsta's data is mapped to the world's charts and can provide world-first insights including custom repertoire reports to ensure industry organizations can map music ownership and revenue. Jaxsta is a key solution to the music industry's metadata problem.

ABOUT VINYL.COM

Vinyl.com is a record store with a difference. Vinyl.com is a global marketplace where Creators and Music Fans can connect and collect. Vinyl.com is an online record store that allows you to easily buy your favourite record while allowing you to dig through liner notes as though you're diggin' through crates, exploring who did what on each album and more. Our offer to music fans is an extensive catalog of over 50,000 records across all genres, powered by Official Music Credits, verifying every creative contribution on every recording. Vinyl.com will ensure that everyone is recognised - main artists, songwriters, producers, composers, engineers, musicians and all roles. Vinyl.com has a clear vision of the experience that should be expected with this iconic url and is expanding beyond selling vinyl records to include merchandise, tickets, digital collectibles and experiences that connect fans with creators.

ABOUT VAMPR

Vampr is the world's leading music industry social network connecting musicians, creatives and artists so they can collaborate, create new music and monetize their work. Founded by The Music Network's 30 Under 30 Power Player, Josh Simons, and multi-platinum songwriter/guitarist from 'Hunters & Collectors', Baz Palmer, the multi award-winning app recently surpassed a milestone of 1.3 million global users who are active in 182 countries. The company was named by Fast Company in their Most Innovative Companies list in 2022.

Jaxsta (ASX: JXT)

Preliminary Financial Report, FY 2023

31 August 2023

Message from the CEO

We are pleased to share our preliminary financial report today. This should be read as a precursor to the annual report which we will release in September. The annual report will include a much more detailed analysis of the performance of the business over the past year and a preview of what's to come.

The highlights of today's update are the 455% increase in revenue YoY while reducing cash used in operations by 42% YoY.

As discussed in our most recent 4C, the company is currently working on integrating our core brands and services, to leverage the data from each to bring our customers world-class services and increase sales. To this end, and since our last update, we have deployed an updated version of Vinyl.com based on early customer feedback. We have optimised our technical workflow and taken development of Vinyl.com fully in-house.

We have also begun the important work of bringing together the Jaxsta and Vampr creator functionalities with updates to our mobile platforms shipping at regular intervals.

Our focus for the next 12 months will remain on increasing our revenues and moving towards profitability.

I look forward to sharing our annual report in the coming weeks where we will elaborate on the above and also schedule an investor presentation where we will have the opportunity to discuss progress with investors.



A handwritten signature in black ink that reads "Joshua Simons". The signature is written in a cursive, flowing style.

Josh Simons - Chief Executive Officer

jaxsta

vampr

VINYL

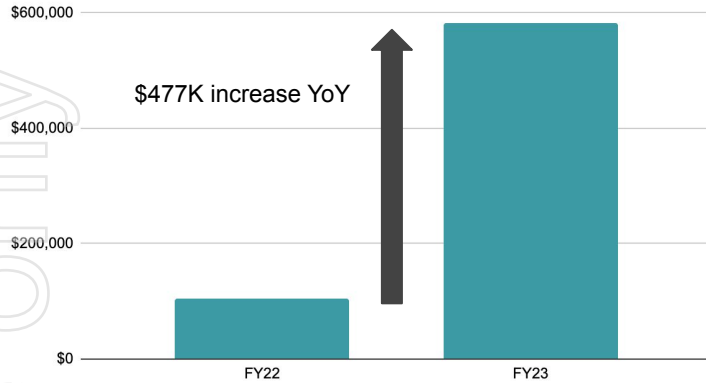
Highlights from the Year

Jaxsta's key business highlights for the year ending 30 June 2023 are set out below:

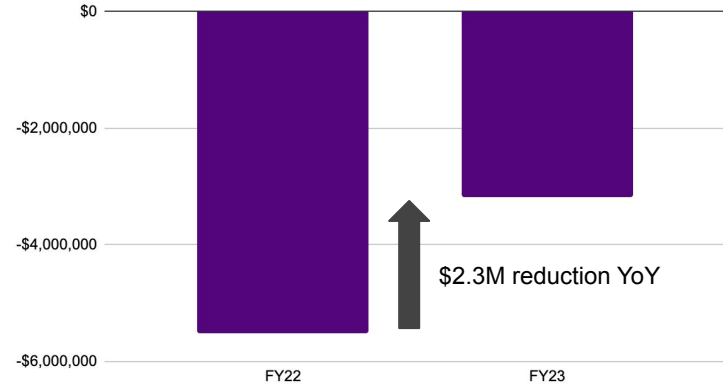
- **455% increase in revenues YoY:**
 - from organic increases in our platform with the launch of Business and Enterprise solutions;
 - the launch of Vinyl.com; and
 - one month of Vampr revenues since the acquisition close on 1 June.
- **Our operating cash flows were reduced by 42% YoY:**
 - The initial reductions from the Songtradr transformation plan;
 - Further savings from continued optimisation of our cost structure and streamlining personnel costs following the Vampr acquisition, to align with our ongoing goal of reaching breakeven in a lean and fast organisation.

Revenue & Operating Cash comparisons

Revenues FY23 vs FY22



Operating Cash Flows FY23 vs FY22



1. Company details

| | |
|-------------------|---------------------------------|
| Name of entity: | Jaxsta Ltd |
| ABN: | 15 106 513 580 |
| Reporting period: | For the year ended 30 June 2023 |
| Previous period: | For the year ended 30 June 2022 |

2. Results for announcement to the market

| | | | | | \$ |
|--|------|--------|----|--|-------------|
| Revenues from ordinary activities | up | 454.8% | to | | 582,209 |
| Other income and interest revenue | down | 32.0% | to | | 774,585 |
| Loss from ordinary activities after tax attributable to the owners of Jaxsta Ltd | up | 15.3% | to | | (7,146,492) |
| Loss for the year attributable to the owners of Jaxsta Ltd | up | 15.3% | to | | (7,146,492) |

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$7,146,492 (30 June 2022: \$6,200,747).

Refer to Market announcement, which precedes the Appendix 4E, for further commentary on the results for the year ended 30 June 2023.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | (0.48) | 0.12 |

Net tangible assets per ordinary security has been calculated by including the net right-of-use assets of \$nil (2022: \$3,054).

4. Control gained over entities

| | |
|---|--|
| Name of entities (or group of entities) | Vampr, Inc. and Vinyl, Inc. |
| Date control gained | 1 June 2023 (Vampr, Inc.) * 27 January 2023 (Vinyl, Inc.) |

* Refer to note 10 'Business combinations' for further details.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements are in the process of being audited and an unqualified opinion is expected to be issued. The auditor's report will contain a paragraph addressing material uncertainty related to going concern.

11. Attachments

Details of attachments (if any):

The Unaudited Preliminary Financial Report of Jaxsta Ltd for the year ended 30 June 2023 is attached.

12. Signed



Signed _____

Linda Jenkinson
Chair
Sydney

Date: 31 August 2023

Jaxsta Ltd

ABN 15 106 513 580

Unaudited Preliminary Financial Report - 30 June 2023

| | |
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For personal use only

Jaxsta Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023



| | Note | Consolidated 2023 \$ | Consolidated 2022 \$ |
|--|------|----------------------------|----------------------------|
| Revenue | 2 | 582,209 | 104,935 |
| Other income | 3 | 762,024 | 1,139,787 |
| Interest income calculated using the effective interest method | | 12,561 | 274 |
| Expenses | | | |
| Raw materials and consumables used | | (40,580) | (1,180) |
| Employee benefits expense | 4 | (2,966,600) | (4,191,061) |
| Product development expense | 4 | (844,370) | (1,523,893) |
| Depreciation and amortisation expense | 4 | (72,107) | (239,468) |
| Impairment of assets | 4,6 | (68,016) | - |
| Professional fees | | (544,997) | (364,019) |
| Marketing expense | | (177,502) | (750,483) |
| Occupancy expense | | (7,761) | (18,442) |
| Fair value (loss)/gain on financial liabilities | 8 | (2,448,508) | 366,150 |
| Other expenses | 4 | (393,456) | (689,690) |
| Finance costs | 4 | (939,389) | (33,657) |
| Loss before income tax expense | | (7,146,492) | (6,200,747) |
| Income tax expense | | - | - |
| Loss after income tax expense for the year attributable to the owners of Jaxsta Ltd | | (7,146,492) | (6,200,747) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | (3,660) | - |
| Other comprehensive income for the year, net of tax | | (3,660) | - |
| Total comprehensive income for the year attributable to the owners of Jaxsta Ltd | | <u>(7,150,152)</u> | <u>(6,200,747)</u> |
| | | Cents | Cents |
| Basic earnings per share | 11 | (2.00) | (1.87) |
| Diluted earnings per share | 11 | (2.00) | (1.87) |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Assets

Current assets

| | | | |
|-----------------------------|---|------------------|------------------|
| Cash and cash equivalents | | 2,966,748 | 3,123,935 |
| Trade and other receivables | 5 | 919,551 | 1,113,693 |
| Other assets | | 29,205 | 30,610 |
| Total current assets | | <u>3,915,504</u> | <u>4,268,238</u> |

Non-current assets

| | | | |
|-------------------------------|---|------------------|----------------|
| Property, plant and equipment | | 18,329 | 41,230 |
| Right-of-use assets | | - | 83,261 |
| Intangibles | 6 | 5,495,187 | 187,158 |
| Total non-current assets | | <u>5,513,516</u> | <u>311,649</u> |

Total assets

| | | |
|--|------------------|------------------|
| | <u>9,429,020</u> | <u>4,579,887</u> |
|--|------------------|------------------|

Liabilities

Current liabilities

| | | | |
|---|---|------------------|------------------|
| Trade and other payables | 7 | 868,357 | 872,348 |
| Contract liabilities | | 40,332 | 1,199 |
| Borrowings and derivative financial instruments | 8 | 3,222,839 | 33,915 |
| Lease liabilities | | - | 86,315 |
| Employee benefits | | 120,515 | 254,156 |
| Lease make good provision | | - | 24,814 |
| Total current liabilities | | <u>4,252,043</u> | <u>1,272,747</u> |

Non-current liabilities

| | | | |
|---|---|------------------|------------------|
| Contract liabilities | | 431,239 | 498,801 |
| Borrowings and derivative financial instruments | 8 | 2,850,072 | 2,163,021 |
| Employee benefits | | 29,107 | 51,036 |
| Total non-current liabilities | | <u>3,310,418</u> | <u>2,712,858</u> |

Total liabilities

| | | |
|--|------------------|------------------|
| | <u>7,562,461</u> | <u>3,985,605</u> |
|--|------------------|------------------|

Net assets

| | | |
|--|------------------|----------------|
| | <u>1,866,559</u> | <u>594,282</u> |
|--|------------------|----------------|

Equity

| | | | |
|--------------------|---|---------------------|---------------------|
| Issued capital | 9 | 46,607,380 | 38,620,271 |
| Reserves | | 5,238,461 | 4,806,801 |
| Accumulated losses | | <u>(49,979,282)</u> | <u>(42,832,790)</u> |

Total equity

| | | |
|--|------------------|----------------|
| | <u>1,866,559</u> | <u>594,282</u> |
|--|------------------|----------------|

The above statement of financial position should be read in conjunction with the accompanying notes

Consolidated

| | Issued capital \$ | Reserves \$ | Retained profits \$ | Total equity \$ |
|--|----------------------------------|------------------------|------------------------------------|----------------------------|
| Balance at 1 July 2021 | 36,454,852 | 2,241,375 | (36,632,043) | 2,064,184 |
| Loss after income tax expense for the year | - | - | (6,200,747) | (6,200,747) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | (6,200,747) | (6,200,747) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 9) | 2,165,419 | - | - | 2,165,419 |
| Share-based payments | - | 573,324 | - | 573,324 |
| Convertible note issuance transaction cost (note 21) | - | 1,992,102 | - | 1,992,102 |
| Balance at 30 June 2022 | <u>38,620,271</u> | <u>4,806,801</u> | <u>(42,832,790)</u> | <u>594,282</u> |

Consolidated

| | Issued capital \$ | Reserves \$ | Retained profits \$ | Total equity \$ |
|--|----------------------------------|------------------------|------------------------------------|----------------------------|
| Balance at 1 July 2022 | 38,620,271 | 4,806,801 | (42,832,790) | 594,282 |
| Loss after income tax expense for the year | - | - | (7,146,492) | (7,146,492) |
| Other comprehensive income for the year, net of tax | - | (3,660) | - | (3,660) |
| Total comprehensive income for the year | - | (3,660) | (7,146,492) | (7,150,152) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 9) | 7,987,109 | - | - | 7,987,109 |
| Share-based payments | - | 435,320 | - | 435,320 |
| Balance at 30 June 2023 | <u>46,607,380</u> | <u>5,238,461</u> | <u>(49,979,282)</u> | <u>1,866,559</u> |

| | Note | Consolidated 2023 \$ | 2022 \$ |
|--|-------------|-------------------------------------|--------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 298,914 | 101,296 |
| Receipts from grants - research and development (inclusive of GST) | | 1,040,906 | 809,265 |
| Payments to suppliers and employees (inclusive of GST) | | (4,562,143) | (6,371,181) |
| Receipts from grants - export development (inclusive of GST) | | 32,574 | 100,000 |
| | | (3,189,749) | (5,360,620) |
| Interest received | | 11,464 | 274 |
| Interest and other finance costs paid | | - | (147,997) |
| Net cash used in operating activities | | (3,178,285) | (5,508,343) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | - | (16,936) |
| Payments for intangibles | 6 | (50,000) | (10,383) |
| Net cash used in investing activities | | (50,000) | (27,319) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 9 | 3,372,950 | 2,500,060 |
| Share issue transaction costs | | (187,965) | (170,500) |
| Proceeds from borrowings | | - | 3,000,000 |
| Repayment of borrowings | | (113,887) | - |
| Repayment of lease liabilities | | - | (131,390) |
| Net cash from financing activities | | 3,071,098 | 5,198,170 |
| Net decrease in cash and cash equivalents | | (157,187) | (337,492) |
| Cash and cash equivalents at the beginning of the financial year | | 3,123,935 | 3,461,427 |
| Cash and cash equivalents at the end of the financial year | | <u>2,966,748</u> | <u>3,123,935</u> |

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Operating segments

Identification of reportable 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, therefore the operating segment information is as disclosed throughout these financial statements.

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

The information reported to the CODM is on a monthly basis.

Major customers

There are 5 major customers (2022: 4) that account for more than 70.3% (2022: 75.6%) of the Group's revenue. The total amount of revenues from these customers was \$174,248, \$84,174, \$68,730, \$44,736 and \$37,709 (2022: \$33,286, \$22,361, \$13,202 and \$10,447).

Geographical information

| | Sales to external customers | | Geographical non-current assets | |
|--------------------------------|-----------------------------|----------------|---------------------------------|----------------|
| | 2023 \$ | 2022 \$ | 2023 \$ | 2022 \$ |
| Australia | 13,336 | 37,021 | 5,513,516 | 311,649 |
| Americas | 422,795 | 62,709 | - | - |
| Europe, Middle East and Africa | 144,997 | 4,261 | - | - |
| Asia Pacific | 1,081 | 944 | - | - |
| | <u>582,209</u> | <u>104,935</u> | <u>5,513,516</u> | <u>311,649</u> |

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Note 2. Revenue

Subscription revenue is recognised on a pro rata basis as subscriptions or licenses may cover multiple accounting periods, commencing on the date the subscription is made available to customers. Any set up services relating to our APIs or Data Solutions are recognised when performed. All subscriptions are for one to twelve month terms and include an auto-renewal clause, although customers can cancel the subscriptions prior to the end.

| | Consolidated | |
|---------------------------------------|----------------|----------------|
| | 2023 \$ | 2022 \$ |
| Revenue from contracts with customers | <u>582,209</u> | <u>104,935</u> |

Note 2. Revenue (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

| | Consolidated 2023 \$ | Consolidated 2022 \$ |
|--------------------------------------|----------------------------|----------------------------|
| <i>Major product lines</i> | | |
| Subscription revenue | 388,068 | 20,455 |
| API revenue | 154,560 | 84,047 |
| Other | 39,581 | 433 |
| | <u>582,209</u> | <u>104,935</u> |
| <i>Timing of revenue recognition</i> | | |
| Goods transferred at a point in time | 39,581 | 84,480 |
| Services transferred over time | 542,628 | 20,455 |
| | <u>582,209</u> | <u>104,935</u> |

The disaggregation of revenue by geographical regions is presented in note 1 'Operating segments'.

Note 3. Other income

| | Consolidated 2023 \$ | Consolidated 2022 \$ |
|--|----------------------------|----------------------------|
| Export market development grant | 36,600 | 100,000 |
| Research and development tax incentive | 721,386 | 1,039,787 |
| Other income | 4,038 | - |
| Other income | <u>762,024</u> | <u>1,139,787</u> |

Note 4. Expenses

| | Consolidated 2023 \$ | Consolidated 2022 \$ |
|--|----------------------------|----------------------------|
| Loss before income tax includes the following specific expenses: | | |
| <i>Cost of sales</i> | | |
| Cost of sales | <u>40,580</u> | <u>1,180</u> |
| <i>Depreciation</i> | | |
| Computer equipment | 5,698 | 21,042 |
| Office equipment | 7,239 | 6,167 |
| Buildings right-of-use assets | 49,075 | 143,793 |
| Total depreciation | <u>62,012</u> | <u>171,002</u> |
| <i>Amortisation</i> | | |
| Platform development | - | 56,707 |
| Trademarks | 10,095 | 11,759 |
| Total amortisation | <u>10,095</u> | <u>68,466</u> |

Note 4. Expenses (continued)

| | Consolidated 2023 \$ | 2022 \$ |
|--|----------------------------|------------|
| Total depreciation and amortisation | 72,107 | 239,468 |
| <i>Employee benefits expense</i> | | |
| Salary and wages | 2,313,126 | 3,468,837 |
| Share-based payments expense | 435,320 | 431,378 |
| Defined contribution superannuation expense | 218,154 | 290,846 |
| Total employee benefits expense | 2,966,600 | 4,191,061 |
| <i>Product development expense</i> | | |
| Product development cash expenses | 843,788 | 1,503,841 |
| Product development equity-based payments | 582 | 20,052 |
| Total product development expense | 844,370 | 1,523,893 |
| <i>Other expenses including the following material expenses:</i> | | |
| Board fees | - | 249,900 |
| Insurance | 103,485 | 131,787 |
| Accounting and audit fees | 140,756 | 108,030 |
| Filing fees | 94,139 | 84,341 |
| Other | 55,076 | 107,707 |
| Other expenses | 393,456 | 681,765 |
| <i>Finance costs</i> | | |
| Interest and finance charges paid/payable on borrowings | 939,389 | 20,346 |
| Interest and finance charges paid/payable on lease liabilities | - | 13,311 |
| Finance costs expensed | 939,389 | 33,657 |
| <i>Net foreign exchange loss</i> | | |
| Net foreign exchange loss | 7,222 | 7,805 |
| <i>Net loss on disposal</i> | | |
| Net loss on disposal of property, plant and equipment | 5,847 | - |
| <i>Impairment of assets</i> | | |
| Right-of-use assets | 11,897 | - |
| Intangibles (note 6) | 56,119 | - |
| | 68,016 | - |

Note 5. Trade and other receivables

| | Consolidated | |
|---|---------------------|------------------|
| | 2023 | 2022 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Trade receivables | 167,963 | 25,625 |
| Research and development incentive receivable | 651,764 | 1,039,784 |
| Other receivables | 52,525 | 1,995 |
| GST receivable | 47,299 | 46,289 |
| | <u>919,551</u> | <u>1,113,693</u> |

Note 6. Intangibles

| | Consolidated | |
|--------------------------------|---------------------|----------------|
| | 2023 | 2022 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Goodwill - at cost | 5,373,215 | - |
| Platform development - at cost | 178,963 | 178,963 |
| Less: Accumulated amortisation | (178,963) | (178,963) |
| | <u>-</u> | <u>-</u> |
| Trademarks - at cost | 256,538 | 255,510 |
| Less: Accumulated amortisation | (62,196) | (52,101) |
| Less: Impairment | (72,370) | (16,251) |
| | <u>121,972</u> | <u>187,158</u> |
| | <u>5,495,187</u> | <u>187,158</u> |

The Group decided not to proceed with certain patent applications as part of their cost cutting measures and impaired \$56,119 of patents during the year ended 30 June 2023.

Reconciliations

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

| Consolidated | Goodwill | Platform | Trademarks | Total |
|---|------------------|--------------------|-------------------|------------------|
| | \$ | development | \$ | \$ |
| | | \$ | | |
| Balance at 1 July 2021 | - | 56,707 | 188,534 | 245,241 |
| Additions | - | - | 10,383 | 10,383 |
| Amortisation expense | - | (56,707) | (11,759) | (68,466) |
| Balance at 30 June 2022 | - | - | 187,158 | 187,158 |
| Additions | - | - | 1,028 | 1,028 |
| Additions through business combinations (note 10) | 5,373,215 | - | - | 5,373,215 |
| Impairment of assets (note 4) | - | - | (56,119) | (56,119) |
| Amortisation expense | - | - | (10,095) | (10,095) |
| Balance at 30 June 2023 | <u>5,373,215</u> | <u>-</u> | <u>121,972</u> | <u>5,495,187</u> |

Note 7. Trade and other payables

| | Consolidated 2023 \$ | 2022 \$ |
|----------------------------|----------------------------|----------------|
| <i>Current liabilities</i> | | |
| Trade payables | 297,857 | 195,165 |
| Sales tax payable | 1,800 | - |
| Other payables | 568,700 | 677,183 |
| | <u>868,357</u> | <u>872,348</u> |

Note 8. Borrowings and derivative financial instruments

| | Consolidated 2023 \$ | 2022 \$ |
|---|----------------------------|------------------|
| <i>Current liabilities</i> | | |
| Insurance financing | 134,542 | 33,915 |
| Convertible notes payable - tranche 1 (i) and * | 1,967,238 | - |
| Derivative liability | 1,121,059 | - |
| | <u>3,222,839</u> | <u>33,915</u> |
| <i>Non-current liabilities</i> | | |
| Convertible notes payable - tranche 1 (i) | - | 846,483 |
| Derivative financial liabilities - tranche 1 (i) | - | 557,919 |
| Derivative financial liabilities - tranche 2 (ii) | 2,850,072 | 758,619 |
| | <u>2,850,072</u> | <u>2,163,021</u> |

Insurance financing

Insurance funding is a ten months short term loan, repayable/renewable on 31 October 2023 with a fixed interest rate of 6.98% (2022: 5.19%).

Convertible notes payable

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.

On 24 June 2022, the shareholders authorised the Company to enter into an additional tranche of the prior convertible note agreement with Songtradr Inc. for a principal value of \$3,000,000. Conversion would result in the issue of 142,857,143 fully paid ordinary Jaxsta shares at a price of \$0.021 per share for the principal value of the note. All the conditions of the original convertible note remain and in addition the Company agreed to appoint two directors proposed by Songtradr and enter into a cost reduction and growth plan agreed to by Songtradr. The Company completed those requirements by the completion of the shareholder approval. Additionally, as a consequence of the variation of the note, the original note of \$1,420,000 would change the conversion price from \$0.035 to \$0.021, resulting in the potential issue of a further 27,047,619 ordinary shares.

The noteholder at their option can convert or seek repayment of the note at the expiration of the term of the note. The note has an anti-dilution clause that adjust the conversion price if certain circumstances occur before the final redemption date. 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 noteholder has issued a conversion notice to be executed for Tranche #1 to be converted at the Tranche #1 expiry date of 9 September 2023.

Note 8. Borrowings and derivative financial instruments (continued)

The second tranche also includes a separate option to invest a further \$3,000,000 under an option agreement with an exercise price of \$0.021 per share. The option has a life of three years and can only be exercised if Tranche #2 is partially or fully converted and up to the amount of Tranche 2 converted into shares.

- (i) **Tranche 1** - Under the requirements of AASB 9 *Financial Instruments*, the change in terms of the notes requires derecognition of the original note and recognition of the new note, with the difference recognised in the profit or loss. The note is considered a hybrid financial instrument that contains a financial liability host and an embedded derivative based on the fair value of the conversion option that are not closely related. The financial liability host and the embedded derivative components have therefore been bifurcated and valued separately.

As of 30 June 2023, the tranche 1 host liability is recorded at \$1,597,155 (2022: 846,483) and the derivative liability has been measured at \$1,121,058 (2022: \$557,919) after recording a fair value gain for the year of \$346,610 (2022: loss of \$111,436). This reflects the current nature of the debt and represents interest and principal.

- (ii) **Tranche 2** - The note is considered a hybrid financial instrument that contains a financial liability host and an embedded derivative based on the fair value of the conversion option that are not closely related. The financial liability host and the embedded derivative components have therefore been bifurcated and valued separately.

As of 30 June 2023, the tranche 2 derivative liability has been measured at \$2,850,072 (2022: \$1,013,502), after recording a fair value loss of \$2,823,041 and an interest expense of \$373,370.

* On 1 June 2023, the Company entered into a one year convertible note agreement with one of the vendors of Vampr, as part of the transaction for a principal amount of US\$258,000. The noteholder has the right to convert the note at a conversion price of A\$0.05. The note carries a 10% interest rate. The note is considered a single combined instrument at FVTPL. The Company recognised a fair value loss of \$28,923.

The total fair value loss on re-measurement of the derivative liability components as at 30 June 2023 was \$2,448,508 (2022: gain of \$366,150).

Note 9. Issued capital

| | | 2023 Shares | Consolidated 2022 Shares | 2023 \$ | 2022 \$ |
|--|-------------------|----------------|--------------------------------|------------|------------|
| Ordinary shares - fully paid | | 517,644,429 | 342,578,199 | 46,607,380 | 38,620,271 |
| <i>Movements in ordinary share capital</i> | | | | | |
| Details | Date | Shares | Issue price | \$ | |
| Balance | 1 July 2021 | 300,910,430 | | 36,397,102 | |
| Shares issued on capital raising | 28 September 2021 | 41,667,669 | \$0.060 | 2,500,060 | |
| Shares issued on capital raising | 28 September 2021 | 100 | \$0.250 | 25 | |
| Transaction costs | | | | (276,916) | |
| Balance | 30 June 2022 | 342,578,199 | | 38,620,271 | |
| Exercise of share options | 15 July 2022 | 150,000 | \$0.000 | - | |
| Shares issued on capital raising | 3 January 2023 | 12,431,754 | \$0.030 | 372,950 | |
| Issue of shares - Vampr acquisition | 1 June 2023 | 88,734,476 | \$0.057 | 4,791,761 | |
| Shares issued on capital raising | 27 June 2023 | 73,750,000 | \$0.040 | 2,950,000 | |
| Shares to be issued on capital raising | 27 June 2023 | - | \$0.000 | 50,000 | |
| Transaction costs | | | | (177,602) | |
| Balance | 30 June 2023 | 517,644,429 | | 46,607,380 | |

Note 9. Issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 10. Business combinations

On 1 June 2023, the Company acquired 100% of the ordinary shares of Vampr Inc. for the total consideration transferred of \$5,188,219. Vampr is the world's leading music industry social network connecting musicians, creatives and artists so they can collaborate, create new music and monetise their work. This acquisition immediately increases Jaxsta's footprint in the creator community. The goodwill of \$5,373,215 is currently being recognised in the statement of financial position as the Company are currently in the process of finalising their acquisition accounting. The acquired business contributed revenues of \$14,603 and profit after tax of \$390 to the Group for the period from 1 June 2023 to 30 June 2023. If the acquisition occurred on 1 July 2022, the full year contributions would have been revenues of \$381,751 and losses after tax of \$1,234,429. The values identified in relation to the acquisition of Vampr Inc. are provisional as at 30 June 2023 until all intangibles values are individually assigned.

Details of the acquisition are as follows:

| | Fair value \$ |
|--|------------------|
| Cash and cash equivalents | 31,657 |
| Trade and other receivables | 22,191 |
| Trade and other payables | (238,844) |
| Net liabilities acquired | (184,996) |
| Goodwill | 5,373,215 |
| Acquisition-date fair value of the total consideration transferred | <u>5,188,219</u> |
| Representing: | |
| Jaxsta Ltd shares issued to vendor | 4,791,662 |
| Convertible notes | 396,557 |
| | <u>5,188,219</u> |
| Cash used to acquire business, net of cash acquired: | |
| Acquisition-date fair value of the total consideration transferred | 5,188,219 |
| Less: shares issued by Company as part of consideration | (4,791,662) |
| Less: convertible notes | (396,557) |
| Net cash used | <u>-</u> |

Note 11. Earnings per share

| | Consolidated 2023 \$ | Consolidated 2022 \$ |
|---|----------------------------|----------------------------|
| Loss after income tax attributable to the owners of Jaxsta Ltd | <u>(7,146,492)</u> | <u>(6,200,747)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>356,920,578</u> | <u>332,418,113</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>356,920,578</u> | <u>332,418,113</u> |
| | Cents | Cents |
| Basic earnings per share | (2.00) | (1.87) |
| Diluted earnings per share | (2.00) | (1.87) |