

ASX ANNOUNCEMENT

29 January 2016

December 2015 Quarterly Report

Significant increase in quarterly cashflow, first strategic deal advanced for AirPocket app rollout in Latin America

Highlights

- Strong increase in operating cash flows during the quarter and improved cash balance
- Company generated a positive operating cashflow of US\$746,000 in Q2 FY16 and US\$387,000 for the first half FY16
- This represents a 33% increase in Q2 cashflow and 15% uplift for the half year when compared to the same periods last year
- The Company had cash and bitcoin inventory of US\$3.4 million at 31 December 2015. This consisted of US\$3 million in cash and US\$0.4 million in bitcoins.
- Increase in cashflow is due to significant increase in transactions and improved Bitcoin prices
- Substantial increase in total trading revenue to US\$7.3 million in the last two months of the year compared, with US\$5.4 million in September and October
- Company has made significant progress in commercialising its unique money transfer and value transfer app, AirPocket, with key partnership agreements currently being finalised
- Successful public beta test involving around 50 users using AirPocket to transfer money from the United States to the Dominican Republic
- Larger scale trials involving up to 1,000 users across several Latin American markets is currently underway

Fintech company DigitalX Limited (ASX: DCC) (the “Company” or “DigitalX”) today announced its quarterly report for the quarter ended 31 December 2015.

The Company has experienced strong growth in its cash position in the quarter as it made significant progress towards commercialising its money transfer app, AirPocket.

DigitalX recorded a positive cashflow of US\$746,000 in the three months to end December, a 33% increase over the same period the year before; and US\$387,000 for 1HFY16, a 15% increase over 1HFY15.

Operational Overview

AirPocket

The Company has made significant progress towards commercialising its unique funds transfer and value transfer app, AirPocket, in the latest quarter that is anticipated to culminate in significant partnership deals in the current half year period.

The progress made by the Company follows the successful public beta trial of AirPocket by around 50 users that was completed ahead of schedule in October last year. This is the first time AirPocket has been used by members of the public to transfer value from the United States to the Dominican Republic.

The beta testers evaluated AirPocket's usability, interface and AirCode concept after going through a real-time verification process. The feedback has been overwhelmingly positive with over 80% of users finding the app user friendly and easy to use, while nearly 90% agreeing that the product offered highly competitive fees.

Since the trial, DigitalX has made further improvements to the app to improve response times and is currently undertaking an expanded up to 1,000 user beta test that will cover more markets in Latin America.

It is anticipated that the expanded trial will be completed by the end of March this year. The Company is also finalising agreements with key strategic and commercial partners for the AirPocket rollout. The Company will release further details shortly, immediately upon execution of the agreements.

Trading Activity

A surge in Bitcoin market sentiment and trading has underpinned DigitalX's strong cash position in the December quarter with the Company's trading desk increasing the amount of bitcoins held during the quarter. This resulted in a favourable mark-to-market return that was driven by higher Bitcoin pricing.

The pick-up in cashflow was particularly pronounced in the last two months of the year with total trading revenue hitting US\$7.3 million compared with US\$5.4 million in September and October 2015.

According to industry figures, the number of global transactions jumped 65% in the six months to end December over the first half of calendar 2015 as Bitcoin gained wider acceptance.

The growing popularity of Bitcoin is supported by increased investment in this technology, evidenced by the Bitcoin network security (based on hash rates) more than doubling over the same periods due to greater processing power being added to the network.

The hash rate refers to the number of calculations per second and is the measuring unit of the processing power of the Bitcoin network. The hash rate has jumped from around 350 million Gigahash per second (GH/s) at the end of June 2015 to around 800 million GH/s.

DigitalX is well placed to benefit from the uptrend despite the volatility of Bitcoin pricing with the cashflow from the trading division underpinning the commercialisation activity for the Company's AirPocket app.

Corporate Overview

Summary of Working Capital Position

The Company had cash and Bitcoin inventory of US\$3.4 million at 31 December 2015. This consisted of US\$3 million in cash and US\$0.4 million in bitcoins.

The Bitcoin market is highly liquid and bitcoins can be easily and quickly exchanged into cash if and when required.

Outlook – Blockchain Technology

The strong growth momentum experienced by DigitalX at the end of 2015 has continued into the New Year and the Company anticipates positive news flow over the next two quarters.

The Company believes that its flagship product AirPocket will achieve key commercialisation milestones in emerging markets like Latin America and the Caribbean, where the need for a low-cost, fast and secure money transfer app is the greatest.

While AirPocket is seen as the future of the company, DigitalX will also benefit greatly from the growing popularity and acceptance of Bitcoin and the blockchain technology that Bitcoin is based on.

Global financial institutions are already undertaking projects to utilise the blockchain at a time when Bitcoin is gaining considerable traction in the marketplace.

DigitalX's Executive Chairman, Zhenya Tsvetnenko, commented:

"This has been an exceptionally pleasing quarter for DigitalX as we ended 2015 on a high note. Not only have we proven the commercial viability of AirPocket through our first public beta trial, but we have made great inroads in our negotiations with a number of global partners to bring AirPocket to market.

These potential partners include some of the world's most recognised companies and investors should be excited by what lies ahead of the Company in 2016."

-ENDS-

For further information, please contact:

DigitalX

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About Digital X

DigitalX is a Blockchain-based software solutions group disrupting the payments industry. Its products allow consumers to make secure and cost-effective money transfers worldwide. Partners can use DigitalX's technology to offer new financial products. DigitalX is based in Boston and has offices in New Jersey and Australia.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

DigitalX Limited

ABN

59 009 575 035

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter US\$'000	Year to date (6 months) US\$'000
1.1 Receipts from customers	11,803	20,445
1.2 Payments for		
(a) staff costs	(313)	(797)
(b) advertising and marketing	(19)	(41)
(c) research and development	-	-
(d) leased assets	-	-
(e) administrative and corporate costs	(157)	(302)
(f) professional fees	(142)	(465)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)		
(a) Prepayment of power and hosting**	-	-
(b) Power and hosting of bitcoin mining equipment	(623)	(1,296)
(c) Purchase of bitcoins for Liquidity Desk	(9,542)	(16,644)
(d) Receipt of US Marshall deposit	-	-
(e) Receipt of lease fee for mining hardware	-	-
(f) Receipt of Iceland VAT	-	-
Net operating cash flows	1,007	900

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter US\$'000	Year to date (6 months) US\$'000
1.8 Net operating cash flows (carried forward)	1,007	900
1.9 Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	(256)	(327)
(d) physical non-current assets	(5)	(5)
(e) other non-current assets	-	-
(f) mining equipment	-	-
(g) joint venture investment	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
(a) loan to related party	-	(156)
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(261)	(488)
1.14 Total operating and investing cash flows	746	412
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (cost of capital)	-	(21)
Net financing cash flows	-	(21)
Net increase (decrease) in cash held	746	391
1.21 Cash at beginning of quarter/year to date	2,248	2,608
1.22 Exchange rate adjustments to item 1.20	1	(4)
1.23 Cash at end of quarter**	2,995	2,995

**** Stated in USD denomination, and does not include value of bitcoin inventory**

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter US\$'000
1.24	Aggregate amount of payments to the parties included in item 1.2	219
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Salary, Director fees and reimbursement of corporate costs

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available US\$'000	Amount used US\$'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter US\$'000	Previous quarter US\$'000
4.1 Cash on hand and at bank	751	2,000
4.2 Deposits at call	2,244	248
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	2,995	2,248

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	-
5.2 Place of incorporation or registration	-	-
5.3 Consideration for acquisition or disposal	-	-
5.4 Total net assets	-	-
5.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 29 January 2016
(Director)

Print name: Alexander Karis

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Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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