
DIGITALX LIMITED

ACN 009 575 035

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10.00am WST

DATE: 25 August 2017

PLACE: Quest West Perth
54 Kings Park Road
West Perth WA 6005

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00pm WST on 23 August 2017.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 5,000,000 Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF TRANCHE 1 CONVERTIBLE NOTES AND OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 30 Convertible Notes and 3,000,000 Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF TRANCHE 2 CONVERTIBLE NOTES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 40 Convertible Notes on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. **RESOLUTION 4 – APPROVAL TO ISSUE TRANCHE 2 CONVERTIBLE NOTE OPTIONS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 4,000,000 Options, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. **RESOLUTION 5 – APPROVAL TO ISSUE BROKER PERFORMANCE RIGHTS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 36 Broker Performance Rights to Ironside (or its nominee(s)) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. **RESOLUTION 6 – APPROVAL TO ISSUE SHARES TO IRONSIDE IN LIEU OF CAPITAL RAISING FEES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 9,678,040 Shares to Ironside (or its nominee(s)) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. **RESOLUTION 7 – APPROVAL TO ISSUE SHARES TO IRNSIDE FOR OUTSTANDING MANDATE FEES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 2,128,301 Shares to Ironside (or its nominee(s)) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. **RESOLUTION 8 – APPROVAL TO ISSUE NEW INCENTIVE OPTIONS TO HOLDERS OF CONVERTIBLE NOTES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 14,000,000 Incentive Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. **RESOLUTION 9 – APPROVAL FOR THE ACQUISITION OF A RELEVANT INTEREST IN THE COMPANY BY BLOCKCHAIN GLOBAL LIMITED**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 1 to 8 (inclusive) for the purposes of Section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for the Company to issue up to:

- (a) 129,819,193 Subscription Shares;
- (b) 43,268,737 Subscription Options;
- (c) 43,268,737 Shares upon the exercise of the Subscription Options referred to in paragraph (b) above;
- (d) 11,111,111 Shares upon conversion of the Loan;
- (e) 55 Subscription Convertible Notes;

- (f) 20,370,370 Shares upon the conversion of the Subscription Convertible Notes referred to in paragraph (e) above;
- (g) 5,500,000 Subscription Convertible Note Options issued free attaching to the Subscription Convertible Notes;
- (h) 5,500,000 Shares upon the exercise of the Subscription Convertible Note Options referred to in paragraph (g) above;
- (i) 11,000,000 Incentive Options; and
- (j) 11,000,000 Shares upon the exercise of the Incentive Options referred to in (i) above,

to Blockchain Global Limited (or its nominee) on the terms and conditions set out in the Explanatory Statement, which will result in Blockchain Global Limited's maximum voting power in the capital of the Company being 49.69%."

Voting Exclusion: No votes may be cast in favour of this Resolution by:

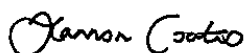
- (a) the person proposing to make the acquisition and their associates; or
- (b) the persons (if any) from whom the acquisition is to be made and their associates.

Accordingly, the Company will disregard any votes cast on this Resolution by Blockchain Global Limited and any of its associates.

Expert's Report: Shareholders should carefully consider the Independent Expert's Report included with this Notice of Meeting, prepared by the Independent Expert for the purposes of the Shareholder approval required under Section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this Resolution to the non-associated Shareholders in the Company. **The Independent Expert has determined the issue of the New Securities to Blockchain Global Limited and any of its associates and the resulting voting power is fair and reasonable to the non-associated Shareholders.**

Dated: 24 July 2017

By order of the Board



Shannon Coates
Company Secretary

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;

- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9322 1587.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. BACKGROUND TO NOTICE OF MEETING

1.1 History of transactions

In December 2016, the Company completed an oversubscribed capital raising of \$1.62 million before costs, for which Ironside Capital Pty Ltd (ACN 168 562 918) (**Ironside**) acted as corporate adviser and lead manager. In part consideration for these services, on 16 February 2017, Ironside was issued with 5,000,000 Options, exercisable at \$0.08 each and expiring on 10 February 2018.

Since the commencement of 2017, the Company has been working on developing its business units and raising sufficient funds to meet the working capital requirements for its rapidly developing business opportunities.

As originally announced to the ASX on 20 March 2017, the Company entered into an agreement with Ironside under which Ironside agreed to act as lead manager for a capital raising to raise up to \$1,250,000 (subject to KPIs relating to operational targets including product enhancements and rollout, marketing activity and internal management review) (**Lead Manager Mandate**) via the issue of secured convertible notes in the Company (**Convertible Notes**), together with free unlisted Options (**Convertible Note Options**) on the basis of 100,000 Options for each Convertible Note issued (**Capital Raising**).

The funds raised from the Capital Raising have and are anticipated to be applied to marketing and distribution for the Company's Blockchain enhanced remittance application, AirPocket, increasing the path to market for the Company's distributed ledger technology enterprise solution, AirID and to provide working capital.

As at the date of this Notice of Meeting, the Company has now issued 70 Convertible Notes and issued 3,000,000 Convertible Note Options to the first recipients of those Convertible Notes. Under the terms of the Convertible Notes, the Company must issue a further 4,000,000 Convertible Note Options to the remaining recipients of the Convertible Notes, subject to Shareholder approval.

The material terms and conditions of the Convertible Notes are summarised in Schedule 2. The terms and conditions of the Convertible Note Options are summarised in Schedule 3.

The Convertible Notes are secured by a first ranking general security over all of the Company's assets and undertaking on standard commercial terms (**GSA**). The GSA is held by Ironside as trustee for the Convertible Noteholders. The Company has executed a security trust agreement on standard commercial terms as part of this trust arrangement.

Subsequent to the execution of the Lead Manager Mandate and the issue of the 70 Convertible Notes, the Company has been able to negotiate the introduction of a new cornerstone investor, Blockchain Global Limited (**BGL**), as announced to ASX on 7 June 2016. Subject to receipt of the necessary approvals, the Company will receive an investment of approximately \$4.35 million in new equity (**Subscription**). To date, \$300,000 of these funds have been received by way of a convertible loan (**Loan**), which is convertible into Shares in the Company, subject to receipt of Shareholder approval.

The investment was novel for an ASX listed company, as the funds were received in Bitcoin. The \$300,000 transfer of Bitcoin was made on a public holiday in Western Australia and the funds were cleared on the Blockchain within the hour. The Company has subsequently been able to convert its Bitcoin into Australian Dollars as needed to meet ongoing working capital requirements.

BGL also has the right and intention to procure other investors to take up to 50% of its investment commitment in the Company if it elects.

This new investment, if approved, will see the Company properly capitalised to grow its existing business offerings by not only looking for opportunities to maximise value in AirPocket and AirID, but also to expand the business offering within the Blockchain marketplace including cryptocurrencies and offerings, which is consistent with the Company's business model since it was listed in June 2014.

As part of the negotiations around the Subscription, the Company also agreed to issue further Incentive Options to holders of the Convertible Notes who elect to convert their Convertible Notes rather than have them repaid. This will see the Company issue a further 200,000 Options per Convertible Note to holders who convert their Convertible Notes.

This Notice of Meeting therefore seeks approval from Shareholders for the following purposes:

- (a) ratification of the previous issue of 5,000,000 Options to Ironside, as part of their capital raising fee (Resolution 1);
- (b) ratification of the previous issue of 70 Convertible Notes and 3,000,000 Convertible Note Options issued by the Company to raise funds since March 2017 (Resolutions 2 and 3);
- (c) approval to issue a further 4,000,000 Convertible Note Options to recipients of the Convertible Notes that have yet to receive those Convertible Note Options (Resolution 4);
- (d) approval to issue Performance Rights to Ironside (or its nominees) as part of their Lead Manager Mandate to raise funds (Resolution 5);
- (e) approval to enable Ironside to, at their election, convert their capital raising fee into Shares in the Company (Resolution 6);
- (f) approval to issue Shares to Ironside as repayment of outstanding fees owing to Ironside pursuant to its corporate advisory mandate with the Company (Resolution 7);
- (g) approval to issue new Options to holders and recipients of the Convertible Notes to incentivise those holders to convert those Convertible Notes and not seek repayment (Resolution 8); and
- (h) approval for Blockchain Global Limited and its Associates to subscribe for Shares, Convertible Notes, Convertible Note Options and Incentive Options, for the conversion of these securities, where applicable, and for the conversion of the Loan (Resolution 9). Shareholders are encouraged to read the Explanatory Statement on Resolution 9 to understand this transaction.

The effect of the passing of these Resolutions will see the Company:

- with sufficient funding to execute its business plan, in ways that it has been unable to do whilst it has had limited working capital;
- a new major Shareholder, who is experienced in the business space in which the Company seeks to operate; and
- with new or additional Directors who can add expertise and industry experience to the existing Board.

1.2 Capital structure

The capital structure of the Company following the issue of all Securities the subject of this Notice of Meeting will be as follows:

	Shares	Options	Convertible Notes	Performance Rights
As at the date of this Notice of Meeting	212,044,933	26,486,000	70	Nil
Issued under this Notice of Meeting	152,736,645	77,768,737	55	36
Total	364,781,578	104,254,737¹	125²	36³

Notes:

1. 25,000,000 Options are subject to the conversion of the Convertible Notes by all holders of those Convertible Notes.
2. Convertible into 46,296,296 Shares if all Convertible Notes are converted.
3. Convertible into 36,000,000 Shares if performance milestones are reached and these are converted into Options, and those Options are subsequently exercised.

1.3 Inter-conditional Resolution

Because the Resolutions to be considered at the General Meeting represent an opportunity to refresh and provide new growth opportunities for the Company, Resolution 9, relating to the investment by Blockchain Global Limited (or its nominees), is conditional upon the passing of the other Resolutions which relate to the previous raisings of the Company. Therefore, following the approval of all Resolutions, the Company will have fulfilled its commitments previously arising to Ironside, who has supported the Company through this challenging period, and welcome the new Shareholders investing in the future of the Company.

2. RESOLUTIONS 1 TO 8

2.1 General

Resolutions 1 to 8 (inclusive) relate to the ratification of prior issues of Options, Convertible Notes, Convertible Note Options, and approval to issue additional Convertible Note Incentive Options, Broker Performance Rights and Shares. The ratification and issue of these securities all relate to the engagement of Ironside to act as the corporate adviser of the Company, and the raising of funds through the issue of the Convertible Notes. The Company recognises that during a challenging

period for the Company, the support of Ironside and the Convertible Noteholders since November 2016, has been critical to the Company.

2.2 ASX Listing Rules

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying a prior issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

2.3 Resolution 1

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 1:

- (a) 5,000,000 Options were issued;
- (b) the Options were issued for nil cash consideration as part of consideration for capital raising services provided in December 2016;
- (c) the Options were issued on the following terms:
 - (i) exercise price: \$0.08 per Share;
 - (ii) expiry date: 10 February 2018,and otherwise on the terms and conditions set out in Schedule 1;
- (d) the Shares to be issued on exercise of the Options will rank equally with the Company's existing Shares on issue;
- (e) the Options were issued to Merchant Corporate Finance Pty Ltd (now Ironside Capital Pty Ltd) and sophisticated and professional nominees, none of whom is a related party of the Company;
- (f) no funds were raised from this issue as the Options were issued for part consideration for capital raising services provided in December 2016.

2.4 Resolutions 2 and 3

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 2 and Resolution 3:

- (a) The securities issued were as follows:
 - (i) under Resolution 2, 30 Tranche 1 Convertibles Notes each with a face value of \$10,000, and 3,000,000 free attaching Tranche 1

Convertible Note Options were issued on the basis of 100,000 Convertible Note Options for each Convertible Note issued; and

- (ii) under Resolution 3, 40 Tranche 2 Convertible Notes were issued, each with a face value of \$10,000. No Tranche 2 Convertible Note Options have yet been issued to the recipients of this tranche of Convertible Notes. Approval for the issue of the Tranche 2 Convertible Note Options is the subject of Resolution 4;
- (b) the issue price was \$10,000 per Convertible Note. The issue price per Share issued upon conversion of the Convertible Notes will be \$0.05 per Share (subject to any adjustment as detailed in Schedule 2);
- (c) the Tranche 1 Convertible Note Options were issued for nil cash consideration as they were issued free attaching to the Tranche 1 Convertible Notes;
- (d) the material terms of the Convertible Notes are summarised in Schedule 2;
- (e) the Tranche 1 Convertible Note Options were issued on the following terms:
 - (i) exercise price: the lower of:
 - (A) \$0.06 per Option; and
 - (B) a 20% premium to the next equity capital raising completed by the Company (other than under the Convertible Notes) on or before 15 December 2018, which, subject to the approval of Resolution 9, will be a price of \$0.0324;
 - (ii) expiry date: 2 years from the date of issue,and are otherwise on the terms and conditions contained in Schedule 1;
- (f) the Shares to be issued on conversion of the Convertible Note (and on exercise of any Options) will rank equally with the Company's existing Shares on issue;
- (g) the Tranche 1 Convertible Notes and Convertible Note Options were issued to sophisticated and professional investors introduced by Ironside, none of whom are a related party of the Company; and
- (h) the funds raised from this issue have and are being used to implement programs around improving the user interface (UI) and user experience (UX) of the Company's Blockchain enhanced remittance application, AirPocket, and improving the product further heading into its first full marketing campaign.

If all of the 70 Convertible Notes are fully converted at \$0.05 per Share, a total of 14,000,000 Shares will be issued. Assuming no Options are exercised or other Shares issued, the number of Shares on issue would increase from 212,044,933 (being the number of Shares on issue as at the date of this Notice) to 226,044,933 and the shareholding of existing Shareholders would be diluted by 6.2%.

2.5 Resolution 4

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 4:

- (a) the maximum number of Tranche 2 Convertible Note Options to be issued is 4,000,000, based on 100,000 Options to be issued for each 1 Convertible Note issued under Tranche 2;
- (b) the Tranche 2 Convertible Note Options will be issued no later than 3 months after the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is likely that issue will occur on the same date;
- (c) the Tranche 2 Convertible Note Options will be issued for nil cash consideration as they are free-attaching to the Tranche 2 Convertible Notes;
- (d) the Tranche 2 Convertible Note Options will be issued to holders of the Tranche 2 Convertible Notes (the subject of Resolution 3), none of whom are related parties of the Company;
- (e) the Tranche 2 Convertible Note Options will be issued on the following terms:
 - (i) exercise price: the lower of:
 - (A) \$0.06 per Option; and
 - (B) a 20% premium to the next equity capital raising completed by the Company (other than under the Convertible Notes) on or before 15 December 2018, which, subject to the approval of Resolution 9, will be a price of \$0.0324;
 - (ii) expiry date: 2 years from the date of issue,
 and otherwise on the terms and conditions set out in Schedule 1;
- (f) the Shares to be issued on exercise of the Tranche 2 Convertible Note Options will rank equally with the Company's existing Shares on issue; and
- (g) no funds will be raised from the issue of the Tranche 2 Convertible Note Options as they are free attaching to the Convertible Notes issued under Tranche 2.

2.6 Resolution 5

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 5:

- (a) the maximum number of Broker Performance Rights to be issued is 36, which will be convertible into a maximum of 36,000,000 Options, on the basis that each Broker Performance Rights is exercisable into 1,000,000 Options;
- (b) the Broker Performance Rights will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is likely that issue will occur on the same date;
- (c) the Broker Performance Rights will be issued for nil cash consideration pursuant to the terms of the capital raising mandate entered into between the Company and Ironside as a performance related fee for the undertaking of the raising of the capital through the Convertible Notes;

- (d) the Broker Performance Rights will be issued to Ironside (or its nominee(s)), none of which will be related parties of the Company;
- (e) the Broker Performance Rights will be issued on the terms and conditions set out in Schedule 4;
- (f) the Options will be issued on the following terms:
 - (i) exercise price: the lower of:
 - (A) \$0.06 per Option; and
 - (B) a 20% premium to the next equity capital raising completed by the Company (other than under the Convertible Notes) on or before 15 December 2018, which, subject to the approval of Resolution 9, will be a price of \$0.0324;
 - (ii) expiry date: 2 years from the date of issue,and otherwise on the terms and conditions set out in Schedule 1; and
- (g) any Shares issued on exercise of the Options will rank equally with the Company's existing Shares on issue; and
- (h) no funds will be raised from the issue of the Broker Performance Rights as they will be issued in consideration for services provided in connection with the Capital Raising.

2.7 Resolution 6

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 6:

- (a) the maximum number of Shares to be issued is 9,678,040 Shares, being for the payment of the capital raising fees (equal to 6% of the funds raised under the Subscription) (not including GST) at the price of the Blockchain Global Limited Share subscription, being \$0.027. The Shares will only be issued if Ironside elect to take their fees in Shares, otherwise the Company will be paying this fee in cash;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is likely that issue will occur on the same date;
- (c) the Shares will be issued for nil cash consideration in satisfaction of fees for services provided by Ironside in connection with the Capital Raising;
- (d) the Shares will be issued to Ironside (or its nominee(s)), none of which will be a related party of the Company;
- (e) the Shares will be issued on the same terms and conditions as the Company's existing Shares;
- (f) no funds will be raised from the issue of the Shares as they will be issued in satisfaction of fees for services provided by Ironside in connection with the Capital Raising.

2.8 Resolution 7

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 7:

- (a) the maximum number of Shares to be issued is 2,128,301 Shares, being for the payment of the outstanding monthly corporate advisory fees owing to Ironside since September 2016 (not including GST). The issue of these Shares will mean that the Company will not be required to pay the outstanding advisory fees currently accrued at \$85,000 (plus GST);
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is likely that issue will occur on the same date;
- (c) the Shares will be issued for nil cash consideration in satisfaction of outstanding fees owing to Ironside under its corporate advisory mandate;
- (d) the Shares will be issued to Ironside (or its nominee(s)), none of which will be a related party of the Company;
- (e) the Shares will be issued on the same terms and conditions as the Company's existing Shares;
- (f) no funds will be raised from the issue of the Shares as they will be issued to offset outstanding amounts owing to Ironside under its corporate advisory mandate.

2.9 Resolution 8

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 8:

- (a) the maximum number of Incentive Options to be issued is 14,000,000 Incentive Options, on the basis of 200,000 Incentive Options for each Convertible Note previously issued. These Incentive Options are being offered to existing holders of the Convertible Notes as an additional incentive for them to convert their Convertible Notes into equity in the Company in light of the Capital Raising;
- (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is likely that issue will occur on the same date;
- (c) the Options will be issued for nil cash consideration;
- (d) the Options will be issued to the holders of the existing Convertible Notes, none of whom is a related party of the Company;
- (e) the Options will be issued on the following terms:
 - (i) vesting: the Incentive Options will only become exercisable if all of the Convertible Notes held by the holder are converted into Shares in the Company on the terms of those Convertible Notes;
 - (ii) exercise price: \$0.0324;

(iii) expiry date: 2 years from the date of issue,

and otherwise will be issued on the same terms and conditions set out in Schedule 1; and

(f) no funds will be raised from the issue of the Incentive Options.

3. RESOLUTION 9 – APPROVAL FOR THE ACQUISITION OF A RELEVANT INTEREST IN THE COMPANY BY BGL

3.1 Background

On 7 June 2017, the Company announced it had entered into a conditional subscription agreement (**Subscription Agreement**) and Convertible Loan Agreement with Blockchain Global Limited (**BGL**) whereby BGL agreed to invest or procure investment for up to an approximate 40% interest in the Company on a fully diluted basis (**Acquisition**). BGL has the right to procure investors to subscribe for up to 50% of its commitment.

BGL has the right to acquire or the right to procure other investors to acquire an investment in the Company through the payment of Bitcoins (**BTC**) and/or cash into the Company's multi-signature wallet and bank account to the value of \$4,055,118 under the Subscription Agreement and an additional \$300,000 Loan under the Convertible Loan Agreement. Funds raised from the Acquisition will be used to complete current projects and commence new projects and revenue verticals in the blockchain ecosystem.

BGL has advised the Company that it has procured investors to subscribe for approximately \$2,050,000 of its commitment under the Subscription Agreement. These subscribers are the BGL Associates. However, if any or all of those BGL Associates do not complete their subscriptions, BGL remains liable to subscribe for up to 100% of the New Securities under the Subscription Agreement.

BGL is an Australian incorporated unlisted public company based in Melbourne, Victoria.

The Loan funds have already been received by the Company.

3.2 Terms of Subscription Agreement

Under the terms of the Subscription Agreement, the Company has agreed to issue to BGL:

- (a) 129,819,193 shares (**Subscription Shares**) at an issue price of \$0.027 per Share;
- (b) 43,268,737 free attaching Options to the Subscription Shares (exercisable at \$0.0324 per Share at any time within three years of their issue and otherwise on the terms and conditions set out in Schedule 1) (**Subscription Options**);
- (c) 55 convertible notes (each with a face value of \$10,000) for a total value of \$550,000 (**Subscription Convertible Notes**);
- (d) 5,500,000 free attaching Options on the basis of 100,000 Options for every Subscription Convertible Note subscribed for (exercisable at \$0.0324 at any time within two years of their issue and otherwise on the terms and conditions in Schedule 1) (**Subscription Convertible Note Options**);

- (e) 11,000,000 free Incentive Options on the basis of 200,000 Options for every Subscription Convertible Note subscribed for and converted (on the terms and conditions set out in 2.9(e) and Schedule 1) to incentivise the conversion of the Subscription Convertible Notes,

to raise a total of \$4,055,118 (together, the **New Securities**).

The Subscription Agreement is conditional on the Company obtaining all necessary shareholder, regulatory and third-party approvals to give effect to the Acquisition, which is the only outstanding condition as at the date of this Notice.

BGL has the right to procure other investors to subscribe for up to 50% of the New Securities, which would mean BGL's voting power (on a fully diluted basis) could be as low as approximately 20%.

The material terms of the Subscription Convertible Notes are summarised in Schedule 2. The Subscription Options and the Subscription Convertible Note Options are exercisable at \$0.0324 on or before the date that is three years from the date of issue and the Incentive Options are exercisable at \$0.0324 on or before (subject to vesting conditions) two years from the date of issue, and otherwise are on the terms and conditions set out in Schedule 1.

In addition, BGL has provided the Company with the Loan. The Loan has a term of 12 months (**Term**) and will accrue interest at a rate of 6% per annum. Subject to Shareholder approval, the Loan will convert into 11,111,111 shares (**Loan Shares**) in the Company at \$0.027 per Share.

3.3 Calculation of percentage interest and ability to procure other investors

Resolution 9 seeks approval for BGL and its Associates to acquire up to a 49.69% interest. This percentage is higher than the 41.22% fully diluted interest because it assumes no other convertible securities on issue in the Company are converted.

In addition, BGL may elect to nominate other investors to subscribe for up to 50% of the New Securities BGL has agreed to subscribe for (ie up to an approximate 20% fully diluted interest in the Company), in which case BGL's interest (on a fully diluted basis) could be as low as around 20%.

Any BGL Investors and BGL, for the purpose of this Notice are deemed to be Associates (refer to definition below) at the time of Subscription, given they are deemed to be acting in concert at that particular point in time. However, there is no guarantee that they will remain Associates or have any ongoing association following completion of the Acquisition. Therefore, it is possible that after the completion of the Acquisition, BGL's total voting power would be significantly less than the percentage referenced in this Resolution 9.

3.4 Securities for approval

Resolution 9 seeks Shareholder approval for the purpose of Item 7 of Section 611 of the Corporations Act to allow the Company to issue the following securities to BGL (or its Associates):

- (a) 129,819,193 Subscription Shares; and
- (b) the following convertible securities:
 - (i) 43,268,737 Subscription Options issued free attaching to the Subscription Shares;

- (ii) 55 Subscription Convertible Notes;
 - (iii) 5,500,000 Subscription Convertible Note Options issued free attaching to the Subscription Convertible Notes; and
 - (iv) 11,000,000 Incentive Options; and
- (together, the **Convertible Securities**);
- (c) and for the future issue of up to 106,250,218 Shares on exercise or conversion (as the case may be) of the Convertible Securities and the Loan as follows:
- (i) 43,268,737 Shares upon the exercise of the Subscription Options referred to in paragraph 3.4(b)(i);
 - (ii) 20,370,370 Shares upon the conversion of the Subscription Convertible Notes referred to in paragraph 3.4(b)(ii);
 - (iii) 5,500,000 Shares upon the exercise of the Subscription Convertible Note Options referred to in paragraph 3.4(b)(iii);
 - (iv) 11,000,000 Shares upon the exercise of the Incentive Options referred to in paragraph 3.4(b)(iv); and
 - (v) 11,111,111 Loan Shares upon conversion of the Loan;

The issue of the Subscription Shares and the Loan Shares to BGL (or the BGL Investors) will result in BGL having a 38.63% voting power in the Company.

If all of the Convertible Securities are issued and exercised or converted, and assuming BGL remains an Associate of any other holder of the Shares issued under this Resolution 9, it will result in BGL's maximum voting power in the Company increasing to 49.69%, assuming no other Shares are issued and no other convertible securities are converted or exercised. The Company considers this possibility to be unlikely due to the fact that the Convertible Securities held by BGL are on the same terms as other convertible securities held by non-BGL parties, who could be reasonably expected to convert those into Shares around the same time as any conversion by BGL. On a fully diluted basis, based on the securities the Company will have on issue as at the date of the Notice and assuming only the securities the subject of the Notice are issued, the percentage interest would be 41.22%.

The capital structure of the Company following completion of the Acquisition (**Completion**) is shown in Section 1.2 above.

Pursuant to ASX Listing Rule 7.2 (Exception 16), Listing Rule 7.1 does not apply to an issue of securities approved for the purpose of Item 7 of Section 611 of the Corporations Act. Accordingly, if Shareholders approve the issue of securities pursuant to Resolution 9, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

3.5 Takeovers provisions

Below is a summary of the key elements of the takeovers provisions under the Corporations Act:

(a) **Section 606 of the Corporations Act – Statutory Prohibition**

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (i) from 20% or below to more than 20%; or
- (ii) from a starting point that is above 20% and below 90%,

(Prohibition).

(b) **Voting Power**

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A summary of the voting power of BGL and the BGL Associates is set out in Section 3.6(b)(ii) below.

(c) **BGL's entitlements in the Company**

BGL does not currently hold any securities in the Company.

Following completion of the Acquisition, BGL's entitlement to the New Securities the subject of Resolution 9 and resulting voting power in the Company, will be as follows:

Holdings of BGL following completion of the Acquisition

Shares	Options	Convertible Notes	Voting Power
140,930,324	59,768,737 ¹	55	38.63%

Includes the Subscription Options, the Subscription Convertible Note Options and the Incentive Options

Holdings of BGL following completion of the Acquisition upon exercise of all Options and conversion of the Loan, and the Convertible Notes by BGL

Shares	Maximum Voting Power
221,069,411	49.69%

This figure above assumes that no other convertible securities on issue in the company are converted or exercised. In addition, any Shares that are issued, or received on conversion of convertible securities to any investor not deemed an Associates of BGL would reduce this percentage.

(d) **Associates**

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (iii) (pursuant to Section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:
 - (A) a body corporate the first person controls;
 - (B) a body corporate that controls the first person; or
 - (C) a body corporate that is controlled by an entity that controls the person;
- (iv) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (v) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example, where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

(e) **Relevant Interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (iv) a body corporate in which the person's voting power is above 20%;
- (v) a body corporate that the person controls.

(f) **Control**

The Corporations Act defines "control" and "relevant agreement" very broadly as follows:

- (i) under section 50AA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of the Company; and
- (ii) under section 9 of the Corporations Act, a relevant agreement includes an agreement, arrangement or understanding whether written or oral, formal or informal and whether or not having legal or equitable force.

(g) **Agreements and options in relation to shares**

Section 608(8) of the Corporations Act states that if at a particular time all the following conditions are satisfied:

- (i) a person has a relevant interest in issued securities;
- (ii) the person (whether before or after acquiring the relevant interest):
 - (A) has entered or enters into an agreement with another person with respect to the securities; or
 - (B) has given or gives another person an enforceable right, or has been or is given an enforceable right by another person, in relation to the securities (whether the right is enforceable presently or in the future and whether or not on the fulfilment of a condition); or
 - (C) has granted or grants an option to, or has been or is granted an option by, another person with respect to the securities;
- (iii) the other person would have a relevant interest in the securities if the agreement were performed, the right enforced or the option exercised,

the other person is taken to already have a relevant interest in the securities.

(h) **Effect of section 608(8) on the Subscription**

The effect of section 608(8) on the proposed Subscription is as follows:

- (i) BGL will acquire a relevant interest in all the New Securities when Shareholder approval to Resolution 9 is granted; and
- (ii) each BGL Associate will acquire a relevant interest in all the New Securities to which they have agreed to subscribe on behalf of BGL the subject of the Subscription Agreement when Shareholder approval to Resolution 9 is granted;
- (iii) each BGL Associates will not have a relevant interest in any New Securities issuable to any other BGL Associate; and
- (iv) once the New Securities are issued, it is likely that BGL will cease to have a relevant interest in the New Securities issued to the BGL Associates.

3.6 Reason Section 611 Approval is Required

Item 7 of Section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Following the issue of the New Securities, BGL could have a relevant interest in 140,930,304 Shares in the Company, representing 38.63% voting power in the Company. This assumes that no other Shares are issued other than as contemplated under this Notice of Meeting, or other securities or loans are exercised or converted.

Further, following the issue of the Convertible Securities, BGL will be entitled to exercise or convert those securities (as the case may be) and be issued up to 80,139,107 additional Shares. This would increase BGL's voting power to 49.69%. This also assumes that no other Shares other than as contemplated under this Notice of Meeting are issued, or that any other convertible securities on issue in the Company or to be issued are exercised or converted.

Accordingly, Resolution 9 seeks Shareholder approval for the purpose of Section 611 Item 7 and all other purposes to enable the Company to issue the Subscription Shares, the Convertible Securities and the Loan Shares (upon conversion of the Loan) to BGL and to enable BGL to exercise the Subscription Options, Subscription Convertible Note Options, Incentive Options, and convert the Convertible Notes into Shares.

Shareholder approval is required to enable these parties to acquire a relevant interest in the securities issued to BGL as their voting power in the Company could also increase above 20%.

3.7 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by RSM included with this Notice of Meeting.

(a) Identity of the Acquirer and its Associates

It is proposed that BGL will be issued the New Securities in accordance with the Subscription Agreement (and the securities upon exercise or conversion of the New Securities) in accordance with the Convertible Loan Agreement as set out in Section 3.1 of this Explanatory Memorandum.

The investors introduced by BGL would be deemed, at the time of completion of the Acquisition, to be Associates of BGL because they would be deemed to be an Associate under the definition set out in Section 3.5(d) above at the time of completion of the Acquisition where they have agreed with BGL to subscribe for New Securities to which BGL is entitled. However, following completion of the Acquisition, those parties may not remain Associates of BGL. The Company makes no representation that any of those investors would be deemed an Associate of BGL after completion of the Acquisition of each other for the purposes of the Corporations Act.

Set out in Item 1 of Schedule 5 is a list of the Associates of BGL for the purpose of this Resolution 9.

(b) **Relevant Interest and Voting Power**

(i) **Relevant Interest**

The relevant interests and the effect of the relevant interests of BGL and the BGL Associates is outlined in Section 3.5(h) above.

(ii) **Voting Power**

The maximum voting power of BGL after all of the New Securities are issued is 38.63% which is calculated on all of the Shares to be issued pursuant to Resolution 9 (assuming it is passed).

The voting power of each of the BGL Associates at that point in time will be equal to the voting power of BGL plus the voting power attached to the Shares held by the individual BGL Associates. However it is assumed that immediately after the issue of those Shares, the BGL Associates and BGL will cease to be associated.

The maximum voting power of BGL upon the issue of the Shares under Resolution 9 and the conversion of the other Securities issuable under Resolution 9 (assuming no other New Securities other than those contemplated in this Notice of Meeting are issued or converted/exercised) is 49.69%. However, this assumes that BGL is required to subscribe for all New Securities under the Subscription Agreement, because it is assumed that BGL and the BGL Associates will cease being associated at that point in time, meaning BGL will cease to have a relevant interest in the Securities held by those BGL Associates.

The maximum voting power of BGL upon the issue of the Shares under Resolution 9, the conversion of the other Securities issuable under Resolution 9 and the conversion/exercise of all other convertible Securities on issue in the Company is 39.67%. However, this also assumes that BGL is required to subscribe for all New Securities under the Subscription Agreement, because it is assumed that BGL and the BGL Associates will cease being associated at that point in time, meaning BGL will cease to have a relevant interest in the Securities held by those BGL Associates.

The voting power of the individual BGL Associates at the time of the conversion or exercise of any New Securities received by them under Resolution 9 is expected to be significantly less than 20% and is not contemplated for the purpose of this Resolution 9.

Further details on the voting power of BGL and the BGL Associates are set out in the Independent Expert's Report prepared by RSM.

(iii) **Assumptions**

Note that the following assumptions have been made in calculating the above:

- (A) the Company has 212,044,933 Shares on issue as at the date of this Notice of Meeting;
- (B) the Company does not issue any additional Shares other than those Shares the subject of this Notice of Meeting or

pursuant to the Conversion Securities and upon conversion of the Loan;

- (C) no other Existing Options are exercised; and
- (D) BGL and the BGL Associates do not acquire any additional Shares other than under the Conversion Securities exercise or conversion (as the case may be) and upon conversion of the Loan; and
- (E) BGL and the BGL Associates cease to be Associates after settlement of the Subscription Agreement and the issue of Securities under the Subscription Agreement.

(c) **Reasons for the proposed issue of securities**

As set out in Section 3.1 of this Explanatory Statement, the reason for the Acquisition is to raise approximately \$4.35 million to enable the Company to be properly capitalised to execute its previously announced business plan.

(d) **Date of proposed issue of securities**

The New Securities the subject of Resolution 9 will be issued on a date after the Meeting to be determined by the Company and BGL.

(e) **Material terms of proposed issue of securities**

Section 3.1 of this Explanatory Statement summarises the securities proposed to be issued.

(f) **BGL's Intentions**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that BGL (or any of the BGL's Associates):

- (i) has no present intention of making any significant changes to the business of the Company;
- (ii) has no present intention to inject further capital into the Company other than as per the Resolutions in this Notice of Meeting;
- (iii) has no present intention of making changes regarding the future employment of the present employees of the Company;
- (iv) has no intention to transfer assets between the Company and BGL or any of BGL's Associates;
- (v) has no intention to re-deploy the fixed assets of the Company; and
- (vi) intends to nominate two representatives to the Board as outlined in section 3.7(g) below.

These intentions are based on information concerning the Company, its business and the business environment which is known to BGL or any of the BGL's Associates at the date of this document.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information,

facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(g) **Identity, associations and qualifications of Nominee Directors**

In accordance with the terms of the Subscription Agreement, the Company will appoint two directors nominated by BGL as non-executive directors with effect from after completion of the Subscription (**Nominee Directors**).

BGL is yet to nominate the two directors to the Board of the Company. Details of the Nominee Directors and their qualifications will be announced to the ASX in due course.

(h) **Interests and Recommendations of Directors**

(i) None of the current Board members have a material personal interest in the outcome of Resolution 9.

(ii) All of the Directors are of the opinion that the Subscription Agreement and the Convertible Loan Agreement is in the best interests of Shareholders and, accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolution 9. The Director's recommendations are based on the reasons outlined in section 3.8 below.

(iii) The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 9.

(i) **Capital Structure**

The Company's current capital structure and the possible capital structure on completion of the Subscription, and upon exercise of all of the Options or conversion of the Loan, Convertible Notes and Performance Rights, is set out in Section 1.2 above.

3.8 **Advantages of the Acquisition – Resolution 9**

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 9:

- (a) At a time when raising funds for the Company has proven to be difficult, the Capital Raising will provide the Company with significant funding to achieve its stated objectives;
- (b) raising capital for the Company has proven to be difficult previously, likely given the niche or novel market in which the Company operates. BGL has a history of operating in and understanding that market;
- (c) the entering into the Convertible Loan Agreement has already provided the Company with further additional funds of \$300,000;
- (d) the issue of the Subscription Shares to BGL, would provide the Company with additional funds of approximately \$3,505,118;

- (e) with these additional funds the Company's cash position will increase to approximately US\$3,358,717;
- (f) the funds raised will enable the Company to complete current projects and commence new projects and revenue verticals in the blockchain ecosystem;
- (g) if the Subscription Options, the Subscription Convertible Note Options and the Incentive Options are issued to and exercised by BGL, additional funds of \$1,932,107 will be raised from the exercise price of those Options;
- (h) the issue of Subscription Shares, the Subscription Options, the Convertible Notes, the Convertible Note Options and the Incentive Options to BGL will complete the Company's obligations under the Subscription Agreement and will not require renegotiation of its terms; and
- (i) the Independent Expert has concluded that the issue of the New Securities is **fair and reasonable** to the non-associated shareholders.

3.9 Disadvantages of the Acquisition – Resolution 9

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 9:

- (a) the issue of the Subscription Shares and Loan Shares to BGL will give BGL a voting power of 38.63%, reducing the voting power of non-associated Shareholders to 61.37%; and
- (b) the issue of the Convertible Securities will not increase the voting power of BGL, however if all the Convertible Securities are issued and are exercised or converted (as the case may be), the issue of Shares upon the exercise or conversion of the Convertible Securities will further increase the voting power of BGL from 36.71% to 49.69% reducing the voting power of non-associated Shareholders to 50.31% (assuming no other Shares are issued and no other Options exercised);
- (c) there is no guarantee that the Company's Shares will not fall in value as a result of the Subscription.

3.10 Independent Expert's Report – Resolution 9

The Independent Expert's Report prepared by RSM (a copy of which is attached as Annexure A to this Explanatory Statement) assesses whether the transactions contemplated by Resolution 9 are fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transactions contemplated by Resolution 9 are **fair and reasonable** to the non-associated Shareholders of the Company.

The Independent Expert notes that the key advantages of the proposal raised in Resolution 9 to the Company and existing Shareholders are as follows:

- (a) the Transaction is fair;

- (b) it will provide the Company with approximately \$4.35 million to help fund working capital and to capitalise on opportunities within the Blockchain market in Australia and the US;
- (c) the investment price of \$0.027 per Share represents a 28.5% premium to the Company's closing 5 day VWAP immediately prior to the announcement of the Transaction;
- (d) in acquiring a maximum voting interest of up to 49.69%, BGL will become a cornerstone investor of the Company, providing it with potential opportunities to collaborate with BGL further on joint and mutually beneficial projects; and
- (e) the appointment of two new directors will add relevant experience, skills and networks to the Company.

The key disadvantages noted by the Independent Expert are as follows:

- (f) Existing Shareholder interests in the Company will be reduced from 100% to 58.1% on an undiluted basis (43% fully diluted); and
- (g) the presence of a cornerstone Shareholder such as BGL in the share registry may detract from the attractiveness of the Company as a takeover target and accordingly, Shareholders may potentially be foregoing any future control premium in any Shares they continue to hold in the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

3.11 Pro forma balance sheet

A pro forma balance sheet of the Company post the completion of the issue (and other transactions the subject of Resolution 9) is set out in Schedule 4.

GLOSSARY

Other than the definitions specified in this Notice, the following definitions are also applicable in the reading of this Notice:

\$ means Australian dollars.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

BGL means Blockchain Global Limited (ACN 601 628 497).

BGL Associates are the parties outlined in Item 1 of Schedule 5.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Capital Raising means the issue of up to 125 Convertible Notes to raise up to \$1,250,000 as detailed in Section 1 of the Explanatory Statement.

Chair means the chair of the Meeting.

Company means DigitalX Limited (ACN 009 575 035).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

New Securities means Securities to be issued pursuant to the Resolutions in this Notice of Meeting.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Securities means Shares or securities convertible or exercisable into Shares in the Company.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

The following terms and conditions apply to the Options issued under Resolution 1:

- (a) Each Option entitles the holder to subscribe for one Ordinary Share upon exercise of the Option.
- (b) Subject to any vesting conditions, the Options are exercisable at any time on or from the date of issue until the Expiry Date (**Exercise Period**).
- (c) The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.
- (d) A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).
- (e) Within 5 Business Days after the later of the following:
 - (i) the Exercise Date; and
 - (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 10 Business Days after the Exercise Date, the Company will:

- (iii) issue the number of Ordinary Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Ordinary Shares does not require disclosure to investors; and
- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Ordinary Shares issued pursuant to the exercise of the Options.

If a notice delivered under paragraph (g)(iv) for any reason is not effective to ensure that an offer for sale of the Ordinary Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Ordinary Shares does not require disclosure to investors.

- (f) Ordinary Shares issued on exercise of the Options rank equally with the then issued shares of the Company.
- (g) If admitted to the official list of ASX at the time, the Issue will apply for quotation of the Ordinary Shares issued upon the exercise of the Options.
- (h) If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (i) There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.
- (j) An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.
- (k) The Company will not apply for quotation of the Options on ASX.
- (l) The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.
- (m) Despite any other term, the Options may not be exercised if such exercise would cause the holder to breach the Corporations Act or the ASX Listing Rules (including, without limitation, Chapter 6 of the Corporations Act).

SCHEDULE 2 – TERMS AND CONDITIONS OF CONVERTIBLE NOTES

Face Value (A\$)	\$10,000 each
Interest Rate (%)	15% per annum, calculated monthly, payable quarterly in arrears.
Security	Secured by a first ranking security over all of the Company's assets and undertaking held by Ironside as security trustee
Repayment Date (if not converted)	One (1) year from the date of issue
Conversion Price	\$0.05 per Share Subject to complying with the requirements of the ASX and the ASX Listing Rules, the Company and the Noteholder may agree to the Conversion Price being adjusted to equal the issue price of Shares at which the Company next raises equity capital (other than under the Convertible Notes) after the date the Convertible Note is issued, where the issue price is less than \$0.05 per Share.
Conversion period	At any time on or before the Repayment Date at the election of the Noteholder.
Early Redemption	The Company may elect to redeem the Convertible Notes by giving the Noteholder at least 5 days prior notice (Redemption Notice). On receipt of a Redemption Notice, the Noteholder may elect to convert, prior to the date specified for redemption in the Redemption Notice, upon which, those Convertible Notes will no longer be redeemable and will instead convert into Shares.
Bonus issues	If the Company issues bonus securities to the holders of Ordinary Shares, for each unconverted Convertible Note, the Company must issue to the Noteholder, on conversion, the number of bonus securities the Noteholder would have been entitled to had the Convertible Note been converted immediately before the Company originally issued the bonus securities, subject to compliance with the ASX Listing Rules and obtaining any necessary prior shareholder approvals required.
Participation Right – Pro Rata Issues	If, at any time, the Company makes a pro-rata offer of shares or other securities to all of the holders for the time being of Shares, then the Company must make to the Noteholder an offer on terms which correspond with the offer the Noteholder would have received in respect of the shares or securities immediately prior to the Company making the pro-rata offer (taking into account any additional Shares which would have been issued to it pursuant to a bonus issue), but without requiring the Noteholder to convert any part of any Convertible Note in order to participate in the pro rata offer, subject to compliance with the ASX Listing Rules and obtaining

	any necessary prior Shareholder approvals required
Reconstruction	If at any time the issued capital of the Company is reconstructed, the terms and conditions of the Convertible Notes must be varied to the extent necessary to comply with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

SCHEDULE 3 – TERMS AND CONDITIONS OF PERFORMANCE RIGHTS

The following terms and conditions apply to the Performance Rights:

- (n) Subject to the vesting condition set out in section (b) below, each Performance Right will entitle the holder to be issued 1,000,000 Options (on the terms set out in Schedule 3 of this Notice of Meeting) upon conversion of the Performance Right.
- (o) Each Performance Right will automatically vest and convert into 1,000,000 Options on the raising by Ironside of successive amounts of \$35,000.
- (p) No consideration will be payable upon the conversion of a Performance Right into the Options.
- (q) Performance Rights expire at the earlier of 12 months from completion of the next capital raising undertaken by the Company and no later than 15 December 2018 (**Expiry Date**).
- (r) If a Performance Right has not been converted into Options prior to the Expiry Date, the Performance Right will automatically lapse.
- (s) The Company will not apply for quotation of the Performance Rights on ASX.
- (t) Within 5 Business Days after the date that the Performance Rights are exercised, the Company will allot and issue the number of Options required under these terms and conditions in respect of the number of Performance Rights exercised.
- (u) A Performance Right is not transferable except with the prior consent of the Company.
- (v) There are no participation rights or entitlements inherent in the Performance Rights and Holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Performance Rights.
- (w) If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (x) A Performance Right does not confer upon the Holder an entitlement to vote or receive dividends.
- (y) The Performance Rights give the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

SCHEDULE 4 – PRO FORMA BALANCE SHEET

	31-May-17 US\$	Pro forma US\$
CURRENT ASSETS		
Cash and cash equivalents	86,523	3,358,717
Trade and other receivables	96,849	96,849
Prepayments	98,950	98,950
Bitcoins	2,018	10,268
Total Current Assets	284,340	3,564,784
NON-CURRENT ASSETS		
Property, plant and equipment	27,664	27,664
Intangible assets	992,415	992,415
Total Non-Current Assets	1,020,079	1,020,079
TOTAL ASSETS	1,304,420	4,584,864
CURRENT LIABILITIES		
Trade and other payables	81,850	81,850
Interest Bearing Liabilities	508,255	1,149,240
Accrued Expenses	20,805	20,805
Total Current Liabilities	610,910	1,251,895
NON-CURRENT LIABILITIES		
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	610,910	1,251,895
NET ASSETS	693,510	3,332,969
EQUITY		
Issued capital	22,676,827	25,320,035
Reserves	759,799	759,799
Accumulated losses	-22,743,116	-22,746,866
TOTAL EQUITY	693,510	3,332,969

SCHEDULE 5 – ASSOCIATES AND VOTING POWER

Item 1 – Associates

Name of Associate	Reason for association
Samuel Li	Director of BGL/ Entered into agreement to subscribe for New Securities to which BGL is entitled
Allan Guo	Entered into agreement to subscribe for New Securities to which BGL is entitled
Ryan Xu	Entered into agreement to subscribe for New Securities to which BGL is entitled
Harry Wang	Entered into agreement to subscribe for New Securities to which BGL is entitled
Richard Gu	Entered into agreement to subscribe for New Securities to which BGL is entitled
Victor Huang	Entered into agreement to subscribe for New Securities to which BGL is entitled
Gao Xiang Dong	Entered into agreement to subscribe for New Securities to which BGL is entitled
RIP Opportunities Pty Ltd	Entered into agreement to subscribe for New Securities to which BGL is entitled
MJGD Nominees Pty Ltd	Entered into agreement to subscribe for New Securities to which BGL is entitled
Anthony Vogel	Director of BGL/Entered into agreement to subscribe for New Securities to which BGL is entitled
Jin Chen	Entered into agreement to subscribe for New Securities to which BGL is entitled
Tirelem Pty Ltd	Entered into agreement to subscribe for New Securities to which BGL is entitled
John MacNaughtan	Entered into agreement to subscribe for New Securities to which BGL is entitled
Josephine MacNaughton	Entered into agreement to subscribe for New Securities to which BGL is entitled
Irwin Biotech Nominees Pty Ltd	Entered into agreement to subscribe for New Securities to which BGL is entitled
Merino Court Pty Ltd	Entered into agreement to subscribe for New Securities to which BGL is entitled
Hirsch Financial Pty Ltd	Entered into agreement to subscribe for New Securities to which BGL is entitled



DIGITALX LIMITED

Financial Services Guide and Independent Expert's Report

17 July 2017

We have concluded that the Proposed Transaction is Fair and Reasonable

FINANCIAL SERVICE GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 (“RSM Corporate Australia Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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RSM Corporate Australia Pty Ltd

8 St Georges Terrace Perth WA 6000
GPO Box R 1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9199

www.rsm.com.au

17 July 2017
The Directors
DigitalX Limited
Suite 5, 62 Ord Street
West Perth WA 6000

Dear Directors

INDEPENDENT EXPERT'S REPORT ("REPORT")

1. Introduction

- 1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to be provided to shareholders for a General Meeting of DigitalX Limited ("DigitalX" or "the Company") to be held on or around August 2017, at which shareholder approval will be sought to (among other things) raise approximately \$4.35m from Blockchain Global Limited ("Blockchain" or "BGL") at an issue price of \$0.027 per Share pursuant to a subscription agreement ("SA") between the Blockchain vendors and DigitalX (the "Proposed Transaction").
- 1.2 Under the Proposed Transaction, Blockchain (or its nominees) could acquire a maximum interest of 49.7% in the capital of the Company on a fully diluted basis.
- 1.3 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to shareholders not associated with the Proposed Transaction ("Non-Associated Shareholders").
- 1.4 The Company previously announced to the ASX on 29 March 2017 that it had entered into an agreement with Ironside Capital Pty Ltd ("Ironside") to raise up to A\$1.25m ("Capital Raising") via the issue of Convertible Notes. The request for approval of securities issued under the Capital Raising are set out in Resolutions 2 to 8 in the Notice.
- 1.5 The request for approval of the Proposed Transaction is included as Resolution 9 in the Notice. Resolution 9 is conditional on the approval of Resolutions 1 to 8 in the Notice. As such, we have considered impact of the Capital Raising as part of our assessment of the Proposed Transaction. These inter-conditional resolutions have been restated at Appendix D ("Inter-dependent Resolutions").
- 1.6 The ultimate decision whether to approve the Proposed Transaction should be based on each Non-Associated Shareholder's assessment of their circumstances, including their risk profile, liquidity preference,

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RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

2. Summary and Conclusion

Opinion

2.1 In our opinion, and for the reasons set out in Sections 10 and 11 of this Report, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders of DigitalX.

Approach

2.2 In assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have considered Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 111 – *Content of Expert Reports* (“RG 111”), which provides specific guidance as to how an expert is to appraise transactions.

2.3 Where an issue of shares by a company otherwise prohibited under section 606 of the Act is approved under item 7 of section 611, and the effect on the company shareholding is comparable to a takeover bid, such as the Proposed Transaction, RG 111 states that the transaction should be analysed as if it was a takeover bid.

2.4 Therefore, we have considered whether or not the Proposed Transaction is “fair” to the Non-Associated Shareholders by assessing and comparing:

- The Fair Value of a Share in DigitalX on a control basis prior to the Proposed Transaction; with
- The Fair Value of a Share in DigitalX on a non-control basis immediately post completion of the Proposed Transaction,

and, considered whether the Proposed Transaction is “reasonable” to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the Proposed Transaction.

2.5 Further information of the approach we have employed in assessing whether the Proposed Transaction is “fair and reasonable” is set out at Section 7 of this Report.

Fairness

2.6 Our assessed values of a DigitalX Share prior to and immediately after the Proposed Transaction are summarised in the table and figure below.

Table 1 Assessed values of a DigitalX Share prior to and post the Proposed Transaction

Assessment of fairness	Ref	Value		
		Low \$A	Preferred \$A	High \$A
Undiluted				
Fair Value of a DigitalX Share prior to the Proposed Transaction	8.21	\$0.004	\$0.004	\$0.004
Fair Value of a DigitalX Share post the Proposed Transaction	9.2	\$0.009	\$0.009	\$0.009
Diluted				
Fair Value of a DigitalX Share prior to the Proposed Transaction	8.21	\$0.004	\$0.004	\$0.004
Fair Value of a DigitalX Share post the Proposed Transaction	9.4	\$0.013	\$0.013	\$0.014

Source: RSM analysis

- 2.7 The table indicates that the range of values post the Proposed Transaction are above the range of the values prior to the Proposed Transaction, on both an undiluted and diluted basis.
- 2.8 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Act, we consider the Proposed Transaction to be **fair** to the Non-Associated Shareholders of DigitalX. We have reached this conclusion based on the analysis of prior to and post Proposed Transaction values.

Reasonableness

- 2.9 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:
- The future prospects of the Company if the Proposed Transaction does not proceed; and
 - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.
- 2.10 As at 31 May 2017 the Company had cash and cash equivalents of approximately US\$75k, despite having recently raised A\$700,000 from Ironside under the Capital Raising in March and April 2017. If the Proposed Transaction does not proceed the Company will be required to repay the initial A\$300,000 Converting Loan already received from Blockchain under the Proposed Transaction and will need to seek immediate and alternate funding to support its working capital requirements and to continue to operate as a going concern.
- 2.11 The key advantages of the Proposed Transaction are:
- The Proposed Transaction is fair;
 - The Proposed Transaction will provide the Company with approximately A\$4.35m to help fund working capital and to capitalise on opportunities within the Blockchain market in Australia and the US;
 - The investment price of \$0.027 per Share represents a significant premium to the Company's closing Share price immediately prior to the announcement of the Proposed Transaction;
 - In acquiring a maximum voting interest of up to 49.7%, Blockchain will become a cornerstone investor of the Company, providing DigitalX will potential opportunities to collaborate with Blockchain further on joint and mutually beneficial projects; and
 - The appointment of two new directors by Blockchain will add relevant experience, skills and networks to the Company.
- 2.12 The key disadvantages of the Proposed Transaction are:
- Shareholder interests in DigitalX will be reduced from 100% to 58.1% on an undiluted basis (42.7% fully diluted); and
 - The presence of a cornerstone shareholder such as Blockchain in the share register may detract from the attractiveness of DigitalX as a takeover target and accordingly, Shareholders may potentially be foregoing any future control premium in any Shares they continue to hold in DigitalX.
- 2.13 We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of DigitalX at this time.
- 2.14 In our opinion, the position of the Non-Associated Shareholders of DigitalX if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence

of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of DigitalX

3. Summary of Transaction

Overview

- 3.1 On 7 June 2017, the Company announced that it had entered a conditional subscription agreement (“Subscription Agreement”) and convertible loan agreement (“Convertible Loan Agreement”) with Blockchain Global Limited to raise approximately A\$4.35m at \$0.027 per Share.
- 3.2 Blockchain has already paid DigitalX A\$300,000 by way of a bitcoin (“BTC”) denominated convertible loan, which is convertible into 11,111,111 Shares in the Company at \$0.027 each subject to Shareholder approval. It is assumed that these Shares will be converted immediately upon completion of the Proposed Transaction (“Loan Shares”).
- 3.3 A further A\$4,055,118 will be raised from Blockchain (or its nominees) pursuant to the Subscription Agreement through the payment of Bitcoins and/or cash in exchange for the issue of the following securities in the Company as set out in Resolution 9 of the Notice:
- 129,819,193 Shares at an issue price of \$0.027 per Share (“Subscriptions Shares”);
 - 43,268,737 free attaching Options to the Subscription Shares, exercisable at \$0.0324 at any time within 3 years of issue (“Subscription Options”);
 - 55 convertible notes with a face value of \$10,000 each, which are convertible into 20,370,370 Shares based on an issue price of \$0.027 per Share (“Subscription Convertible Notes”);
 - 5,500,000 free attaching Options to the Subscription Convertible Notes, exercisable at \$0.0324 each at any time within 2 years of their issue (“Subscription Convertible Note Options”); and
 - 11,000,000 free incentive options to incentivise the conversion of the Subscription Convertible Notes (“Blockchain Incentive Options”).
- (Together the “Subscription Securities”).
- 3.4 As part of the Proposed Transaction Blockchain will voluntarily escrow its shareholding for a period of 12 months from the date of issue. Blockchain will also have the right to appoint up to two directors to the DigitalX board.

Key conditions of the Proposed Transaction

- 3.5 Completion of the Proposed Acquisition is subject to and conditional upon a number of conditions precedent, including:
- Completion of due diligence on the Company by Blockchain to its satisfaction by 30 June 2017 (which has been completed at the date of this Report);
 - Blockchain and the Company mutually agreeing to a use of funds budget;
 - DigitalX receiving Shareholder approval for the completion of the transactions contemplated by the SA; and
 - All necessary waivers and regulatory approvals being received from ASIC, the ASX and third parties for the Proposed Transaction to proceed.

Rationale for the Proposed Transaction

- 3.6 In addition to providing the Company with critical working capital to continue operating as a going concern, the Proposed Transaction will provide the Company with:

- Significant resources to capitalise on opportunities within the Blockchain market of Australia and the US;
- Expertise via the appointment of two directors recommended by Blockchain to the DigitalX board; and
- An opportunity to collaborate with Blockchain further on joint and mutually beneficial projects.

Impact of Proposed Transaction on DigitalX's capital structure

3.7 The table below sets out a summary of the capital structure of DigitalX prior to and post the Proposed Transaction, after the Capital Raising.

Table 2 Share structure of DigitalX prior to and post the Proposed Transaction

	Ref.	Prior to Proposed Transaction		Post Proposed Transaction ⁽¹⁾	
Shares on issue:					
Non-Associated Shareholders		212,044,933	100.0%	212,044,933	58.1%
Subscription shares - Blockchain	3.3	-	0.0%	129,819,193	35.6%
Loan shares - Blockchain	3.2	-	0.0%	11,111,111	3.0%
Shares in lieu of fees - Ironside	3.9	-	0.0%	11,806,341	3.2%
Total undiluted Shares on issue		212,044,933	100%	364,781,578	100%
Options:					
Non-Associated Option holders		23,486,000	88.7%	23,486,000	12.6%
Subscription Options - Blockchain	3.3	-	0.0%	43,268,737	23.2%
Subscription Convertible Note Options - Blockchain	3.3	-	0.0%	5,500,000	2.9%
Convertible Note Options - Ironside	3.8	3,000,000	11.3%	7,000,000	3.8%
Incentive Options - Blockchain	3.3	-	0.0%	11,000,000	5.9%
Incentive Options - Ironside	3.8	-	0.0%	14,000,000	7.5%
Performance Right Options - Ironside	3.9	-	0.0%	36,000,000	19.3%
Convertible Notes:					
Subscription Convertible Notes - Blockchain	3.3	-	0.0%	20,370,370	10.9%
Convertible Notes - Ironside	3.8	-	0.0%	25,925,926	13.9%
Total Options and Convertible Notes on issue		26,486,000	100%	186,551,033	100%
Fully diluted position:					
Non-Associated Shareholders		235,530,933	98.7%	235,530,933	42.7%
Blockchain		-	0.0%	221,069,411	40.1%
Ironside		3,000,000	1.3%	94,732,267	17.2%
Total diluted Shares on issue		238,530,933	100%	551,332,611	100%

Source: Notice

1. Securities issued to Blockchain and Ironside respectively under the Proposed Transaction may be issued to Nominee(s) of Blockchain and / or Ironside at their discretion.

Capital Raising

3.8 Prior to the Proposed Transaction on 29 March 2017 the Company announced that it had entered into a A\$1.25m Capital Raising with Ironside, pursuant to which the following securities were agreed to be issued by the Company:

- 70 Convertible Notes with a face value of \$10,000 each, which are convertible into 25,925,926 Shares based on an issue price of \$0.027 per Share (Resolutions 2 and 3) (“Ironsides Convertible Notes”);
- 7,000,000 free attaching options to the Convertible Notes, exercisable at \$0.0324 each at any time within 2 years of their issue (Resolutions 3 and 4) (“Ironsides Convertible Note Options”); and
- 14,000,000 free attaching incentive options to incentivise the conversion of the Ironsides Convertible Notes (Resolution 8) (“Ironsides Incentive Options”);

3.9 In addition to the securities agreed to be issued to Ironsides under the Capital Raising, the following securities will be issued to Ironsides under the Proposed Transaction:

- 9,678,040 Shares being for the payment of capital raising fees equal to \$261,307, being 6% of the funds raised under the Proposed Transaction (Resolution 6) (“Capital Raising Fees”); and
- 2,128,301 Shares, being for the payment of outstanding monthly corporate advisory fees owing since September 2016 (Resolution 7) (“Mandate Fees”); and
- 36 broker performance rights, which are each convertible into 1,000,000 Options and subsequently exercisable into 36,000,000 DigitalX Shares at \$0.0324 each on or before 15 December 2018 (Resolution 5) (“Performance Rights Options”).

3.10 As shown in the table above, assuming Ironsides and Blockchain elect to convert all their securities under the Proposed Transaction and Capital Raising into Shares in the Company, Blockchain could acquire a maximum relevant interest of up to 40.1%.

3.11 Should Ironsides elect not to convert its Convertible Notes and Options, the maximum diluted interest that Blockchain could acquire would increase to up to 49.7%.

4. Scope of the Report

Corporations Act

- 4.1 Section 606 of the Act prohibits a person from acquiring a relevant interest in the issued voting shares of a public company if the acquisition results in that person's voting interest in the company increasing from a starting point that is below 20% to an interest that is above 20%. Completion of the Proposed Transaction will result in Blockchain increasing its interest in DigitalX from nil to approximately 49.7% on a fully diluted basis.
- 4.2 Under Item 7 of Section 611 of the Act, the prohibition contained in Section 606 does not apply if the acquisition has been approved by the Non-Associated Shareholders of the company.
- 4.3 Accordingly, the Company is seeking approval from the Non-Associated Shareholders for Resolution 9 under Item 7 of Section 611 of the Act.
- 4.4 Item 7, Section 611 of the Act states that shareholders must be given all information that is material to the decision on how to vote at the meeting. ASIC Regulatory Guide 111 ("RG 111") advises the requirement to commission an Independent Expert's Report in such circumstances and provides guidance on the content.

Basis of evaluation

- 4.5 In determining whether providing the Security is "fair and reasonable" we have given regard to the views expressed by the ASIC in RG 111.
- 4.6 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.7 RG 111 states that the expert's report should focus on:
 - The issues facing the security holders for whom the report is being prepared: and
 - The substance of the transaction rather than the legal mechanism used to achieve it.
- 4.8 Where an issue of shares by a company otherwise prohibited under section 606 is approved under item 7 of section 611 and the effect on the company shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 4.9 RG 111 applied the fair and reasonable test as two distinct criteria in the circumstance of a takeover offer, stating:
 - A takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
 - A takeover is considered "reasonable" if it is fair, or where the offer is "not fair" it may still be reasonable if the expert believes that there are sufficient reasons for security holders to accept the offer.
- 4.10 Consistent with the guidelines in RG 111, in determining whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, the analysis undertaken is as follows:
 - A comparison of the fair value of an ordinary Share in DigitalX prior to (on a control basis) and immediately following (on a non-control basis) the Proposed Transaction – fairness; and

- A review of other significant factors which Non-Associated Shareholders might consider prior to approving the Security – reasonableness.

4.11 The other significant factors to be considered include:

- Other prospects of the Company if the Proposed Transaction does not proceed; and
- any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

4.12 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

5. Profile of DigitalX Limited

Background

- 5.1 DigitalX Limited is an ASX listed company which operates as an integrated software development payments company in the digital currency market in Australia.
- 5.2 The Company develops a suite of software for institutions and consumers through Blockchain technology and the secure ledger system.
- 5.3 The Company's principal product is the blockchain based mobile application, AirPocket, a peer-to-peer solution for the remittance market that allows consumers to make secure and cost-effective money transfers globally. In March 2017 'AirPocket App' was launched on the US Google Play and iOS App Stores, allowing money transfers to 13 countries in Latin America and the Philippines.
- 5.4 DigitalX was previously engaged in Bitcoin mining, Bitcoin trading and the operation of a liquidity desk. However, the Company ceased its Bitcoin mining operations on 6 June 2016 and proceeded to wind down the Bitcoin trading and liquidity desk in the period to 31 December 2016 reflecting a shift in focus toward the development of Blockchain based products, including AirPocket.
- 5.5 The Company was formerly known as Digital CC Limited and changed its name to DigitalX Limited in December 2015. DigitalX Limited was incorporated in 1988 and is based in Perth, Australia.

Directors and management

- 5.6 The directors and key management of DigitalX are summarised in the table below.

Table 3 DigitalX Directors

Name	Title	Experience
Mr Leigh Travers	Chief Executive Officer	Mr. Travers is a Vice Chairman of the Australian Digital Currency Commerce Association (ADCCA), the representative body for digital commerce businesses in Australia. He holds a Bachelor of Commerce and Communications from the University of Western Australia and Fintech Certification from MIT. Mr. Travers spent seven years at a boutique Wealth Management firm as an Investment Advisor. Mr. Travers has previously managed the DigitalX Direct trading desk, while managing DigitalX's trading operations in the Southern Hemisphere.
Mr Toby Hicks	Non-Executive Director and Chairman	Mr. Hicks holds a Bachelor of Business (Management) and Bachelor of Laws from the University of Notre Dame Australia, which included study at the University of Notre Dame (South Bend, Indiana). He is also a Chartered Secretary. Mr. Hicks is now a Partner of corporate law firm, Steinepreis Paganin with 14 years' experience acting in the areas of governance, equity capital raisings, mergers and acquisitions and corporate compliance. He acts for a number of ASX listed companies, including technology companies. In addition, Mr. Hicks is a Governor of the University of Notre Dame Australia and is a member of the University's Finance, Audit and Risk Committee and Law School Advisory Board.
Mr Faisal Khan	Non-Executive Director	Mr Khan has experience on remittance, banking, payments & financial technology (FinTech). He is the owner of Faisal Khan & Company, a payments consultancy to companies across the banking, FinTech and money transfer sectors. Previously Mr. Khan has appeared as a speaker and moderator at various international payments conferences and advises the Digital Finance Institute in Toronto, a think tank created to address prospective issues around the nexus between financial innovation, digital finance policy and regulation, financial inclusion, and women in financial technology.

Source: Company

Financial information of DigitalX

- 5.7 The information in the following section provides a summary of the financial performance and financial position of DigitalX for the years ended 30 June 2015 and 30 June 2016 extracted from the audited financial statements of the Company and the audit reviewed financial statements of the Company for the period ended 31 December 2016.
- 5.8 The auditor of DigitalX, Grant Thornton Audit Pty Ltd, issued an unqualified opinion on the financial statements for the years ended 30 June 2016, 30 June 2015 and the six months ended 31 December 2016, but cited the following material uncertainty relating to going concern at 31 December 2016:

“Without qualifying our conclusion, we draw attention to Note 1(c) in the financial report which indicates that the company incurred a net loss of \$1,590,182 and generated net cash outflows from operating activities of \$1,063,422 during the half year ended 31 December 2016. This condition, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty which may cast significant doubt about the company’s ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.”

Financial performance

- 5.9 The following table sets out a summary of the financial performance of DigitalX for the years ended 30 June 2015 and 30 June 2016 and the six months ended 31 December 2016.

Table 4 Historical financial performance

Consolidated Group	Ref	30-Jun-2015 Audited US\$000's	30-Jun-2016 Audited US\$000's	31-Dec-2016 Reviewed US\$000's
Other Income		56	52	1
Trading Desk Bitcoin Sales	5.11	29,337	38,427	-
Trading Desk Bitcoin Purchases	5.11	(28,751)	(37,873)	-
Professional and consultancy fees		(1,054)	(621)	(324)
Corporate expenses		(128)	(196)	(134)
Interest expense		-	-	(167)
Advertising, media and investor relations		(320)	(116)	-
Employee benefit expenses		(1,799)	(1,640)	(518)
Share based payments – employee benefits		1,654	-	-
Inventory write-down		-	(131)	-
Depreciation		(7)	(10)	-
Amortisation		(6)	-	-
Joint venture investment write down		(1,047)	-	-
Intangible asset impairment		-	(1,107)	-
Realised and unrealised foreign exchange losses		(255)	(7)	(32)
Corporate transaction accounting expense		-	-	(110)
Bad debtors expense		(171)	(262)	-
Other expenses		(554)	(601)	-
Loss before tax		(3,044)	(4,083)	(1,285)
Income tax benefit/(expense)		-	-	-
Loss after income tax from continuing operations	5.11	(3,044)	(4,083)	(1,285)
Profit/(Loss) from discontinued operations	5.12	(3,726)	666	(305)
Loss for the period		(6,770)	(3,417)	(1,590)

Source: Company Financials

- 5.10 During the six months to December 2016 the Company reported a loss of US\$1.59m, down from US\$3.4m in the previous 12 months to 30 June 2016.
- 5.11 The reduction in business activity during the periods reflects the Company's Bitcoin mining operations having ended and its Bitcoin trading operations being wound down in order to maintain minimum expenditure while the AirPocket application is rolled out.
- 5.12 During the six months to 31 December 2016, the Company generated revenues from the discontinued Bitcoin trading desk of US\$8m and a net loss of US\$0.3m. The Company noted that it continued to seek buyers for this platform while it focused on the development of Blockchain based products. Subsequent to 31 December 2016 and as announced to the ASX on 7 February 2017 pursuant to the DigitalX Direct Revenue Share Agreement, this platform was sold on a revenue share basis to Blockchain Global.

Financial position

- 5.13 The table below sets out a summary of the financial position of DigitalX as at 30 June 2015, 30 June 2016 and 31 December 2016.

Table 5 Historical financial position

Consolidated Group		30-Jun-15 Audited US\$000's	30-Jun-16 Audited US\$000's	31-Dec-16 Reviewed US\$000's
	Ref			
Current assets				
Cash and cash equivalents	5.14	2,608	1,042	972
Trade and other receivables		1,262	1,038	116
Prepayments		86	89	99
Bitcoins		1,011	163	3
Bitcoin mining hardware – assets held for sale		132	-	-
Total current assets		5,099	2,332	1,190
Non-current assets				
Property, plant and equipment		6	24	27
Intangible assets	5.15	476	194	736
Total non-current assets		483	218	762
Total assets		5,582	2,550	1,952
Current liabilities				
Trade and other payables		410	520	423
Accrued expenses		173	258	281
Restoration provisions		104	104	-
Total current liabilities		687	883	704
Total liabilities		687	883	704
Net assets		4,895	1,668	1,248
Equity				
Issued capital	5.17	21,069	21,249	
Reserves		1,822	642	642
Accumulated losses		(17,986)	(20,224)	(21,814)
Total equity		4,905	1,668	1,248

Source: Company financials

- 5.14 The Company reported net assets of US\$1.2m at 31 December 2016 including cash of US\$972k, down approximately US\$0.4m since 30 June 2016.
- 5.15 During the period, intangible assets increased from US\$194k to US\$736k in respect of capitalised software development costs relating to the AirPocket application. This followed an impairment write-down at 30 June 2016 approximately US\$1.1m against historical costs capitalised in relation to AirPocket.

Funding

- 5.16 Historically, the Company has been funded through equity, with no debt held on its balance sheet at 31 December 2016.
- 5.17 During the six months to 31 December 2016, the Company completed a placement to raise approximately A\$1.62m before costs at \$0.05 per Share ("Placement").
- 5.18 As discussed in Paragraph 3.8, the Company undertook a Capital Raising subsequent to 31 December 2016 to raise up to further A\$1.25m via the issue of Convertible Notes. At 31 May 2017, A\$700,000 had been received via the Capital Raising and used for working capital purposes, resulting in cash on hand of approximately US\$75k at 31 May 2017.

Capital structure

- 5.19 DigitalX has 212,044,933 full paid ordinary Shares on issue, 23,486,000 unlisted Options, each exercisable at \$0.08 each on or before 10 February 2018 and 3,000,000 unlisted Options, each exercisable at the lesser of \$0.06 each or a 20% premium to the next equity raising completed by the Company before 15 December 2018 and expiring 30 March 2019.
- 5.20 The top 20 shareholders of DigitalX as at 14 June 2017 are set out in the following table, with no substantial Shareholders with an interest in the Company of greater than 10%.

Table 6 DigitalX Top 20 shareholders

Rank	Name	Total units	% Issued share capital
1	NRB INTERNATIONAL LLC	14,016,785	6.61%
2	BNP PARIBAS NOMINEES PTY LTD	11,455,303	5.40%
3	MR NEEL KRISHNAN	6,307,500	2.97%
4	HOPERIDGE ENTERPRISES PTY LTD	5,000,000	2.36%
5	COMSEC NOMINEES PTY LIMITED	4,940,908	2.33%
6	THE GAS SUPER FUND PTY LTD	4,065,000	1.92%
7	DIGITAL MAN LLC	3,996,458	1.88%
8	PERSHING AUSTRALIA NOMINEES PTY LTD	3,092,368	1.46%
9	MR RAYMOND MCLAREN	2,672,814	1.26%
10	K C CONSULTING SERVICES PTY LTD	2,500,000	1.18%
11	PETERLYN PTY LTD	2,500,000	1.18%
12	SHARE INVESTING NOMINEES PTY LIMITED	2,421,698	1.14%
13	ICON HOLDINGS PTY LTD	2,400,000	1.13%
14	MR GEORGE MANIOS	1,850,000	0.87%
15	SCINTILLA STRATEGIC INVESTMENTS LIMITED	1,850,000	0.87%
16	MRS CHRISTINE MARY HOSKINS	1,826,400	0.86%
17	MR SIHAMUDIN WAJA	1,767,844	0.83%
18	RIVER VALLEY PTY LTD	1,750,000	0.83%
19	MR JOSEPH PODVOREC	1,725,728	0.81%
20	MR PETER BRIAN CASSERLY	1,600,000	0.75%
Total Top 20 Shareholding		77,738,806	36.66%
Others		134,306,127	63.34%
Total issued capital		212,044,933	100.00%

Source: Company

Share price performance

5.21 The figure below sets out a summary of DigitalX's closing share prices and traded volumes for the 12 months to 16 June 2017.

Figure 1 DCC Share price performance



Source: S&P's Capital IQ

5.22 Over the 12 months prior to the announcement of the Proposed Transaction on 7 June 2017, the Company's Shares were traded with reasonable volume. In the 180 trading days prior to the announcement, approximately 65% of DigitalX Shares outstanding were traded, which is evidence of a liquid stock.

5.23 During this period, there were some days of elevated trading activity relating to key announcements by the Company on the ASX. These announcements are summarised below:

1. 25 July 2016 – 7.3% of Shares traded – announcement of changes to the Company's board of directors, including the resignation of Mr Zhenya Tsvetnenko (Executive Chairman) and Mr Brett Mitchell (Non-Executive Director) and appointment of Mr Leigh Travers as Executive Director; and
2. 26 August 2016 – 14.8% of Shares traded – buy-back of Shares held by entities associated with Mr Tsvetnenko for \$0.03 per Share, representing a discount to Company's trading price and resulting in Mr Tsvetnenko and his entities ceasing to have any holding in the Company.

5.24 Following the announcement of the Proposed Transaction on 7 June 2017, approximately 85% of the Company's total issued capital was traded in the 10-day period to 16 June 2017, indicating a significant market response to the Proposed Transaction.

5.25 DigitalX's Share price performance is discussed in more detail in Paragraph 8.10.

6. Profile of Blockchain Global Limited

Background

- 6.1 Blockchain Global Limited is a global information technology company specialising in blockchain technology.
- 6.2 Blockchain was established as Bitcoin Group in 2014 and has evolved to become a player in the blockchain industry, and in particular, the Bitcoin Blockchain, via three core functions:
- Bitcoin mining - the act of securing the Bitcoin Network through the verification of Bitcoin transactions.
 - Consulting – providing expert advice to organisations seeking to better understand Blockchain and developing their own Blockchain solutions for their business operations.
 - Incubation – as the principal corporate sponsor, Blockchain supports a not-for-profit entity which provides co-working and incubation facilities helping to foster the development of Blockchain software applications.
 - Bitcoin Trading – established Australia’s most liquid digital currency exchange ACX.io
- 6.3 The Company has offices in Melbourne, Australia; Wuhan, China and New York, USA.
- 6.4 For more information on Blockchain visit <https://www.blockchainglobal.com/>

7. Valuation approach

Basis for evaluation

- 7.1 The valuation of DigitalX prior to and post the Proposed Transaction has been prepared on the basis of Fair Market Value being the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.

Valuation methodologies

- 7.2 In assessing the Fair Market Value of an ordinary DigitalX Share prior to and immediately following the Proposed Transactions, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

- 7.3 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

- 7.4 Market based methods estimate the Fair Market Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include;

- The quoted price for listed securities; and
- Industry specific methods.

- 7.5 The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

- 7.6 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income based methods

- 7.7 Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- Capitalisation of maintainable earnings; and
- Discounted cash flow methods.

- 7.8 The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("FME") of the business, rather than a stream of cash flows is capitalised

based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

- 7.9 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

Asset based methods

- 7.10 Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net assets on a going concern basis.
- 7.11 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 7.12 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.
- 7.13 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Selection of Valuation Methodologies

Valuation of a DigitalX Share prior to the Proposed Transaction

- 7.14 In assessing the value of a DigitalX Share prior to the Proposed Transaction we have utilised the following methodologies:
- Sum of parts as our primary approach, which estimates the Fair Market Value of a company based on the Fair Value of its net assets and liabilities. We note that a sum of parts valuation is inclusive of a premium for control; and
 - Quoted market price of listed securities as our secondary approach. DigitalX's Shares are listed on the ASX which means there is a regulated and observable market for its Shares. However, consideration must be paid to adequate liquidity and activity in order to rely on the quoted market price method. The quoted market price value of a company's shares is reflective of a minority interest.
- 7.15 In our opinion, the DCF methodology cannot be used as there are no cashflow projections available which we regard as sufficiently robust to enable a DCF valuation to be undertaken.
- 7.16 We do not consider the FME methodology to be appropriate as the Company does not have a history of profitable trading that would support using the FME method.

7.17 We have assessed the value of a DigitalX Share prior to the Proposed Transaction on a controlling basis

Valuation of a DigitalX Share post the Proposed Transaction

7.18 in assessing the value of a DigitalX Share the post the Proposed Transaction, we have used the pre-Proposed Transaction value and included the impact of the Proposed Transaction assuming it proceeds. In particular we have made the following adjustments:

- Included proceeds from the Proposed Transaction;
- Included any dilution from the issue of Shares under the Proposed Transaction;
- Included specific costs associated with the Proposed Transaction.

7.19 We have then assessed the value of a DigitalX Share post the Proposed Transaction on a non-controlling basis by adjusting for a minority discount. We have also considered the non-controlling value of DigitalX assuming an undiluted value and fully diluted value post the Proposed Transaction, while also showing the impact should Blockchain and Ironside elect not to convert their Convertible Notes on the fully diluted basis.

7.20 We have adopted the quoted market price methodology as our secondary method post the Proposed Transaction. DigitalX Shares displayed a high volume of trading in the period immediately following the announcement, indicating that there is a deep and liquid market for the Company's Shares. However, consideration must be paid to the appropriateness of relying on the quoted market price methodology in an assessment of fairness prior to the Proposed Transaction completing, due to the potential for investor sentiment or speculative trading to impact a company's share price following any price sensitive announcement.

7.21 We do not consider the DCF or FME methodologies to be appropriate post-announcement as the company does not have sufficient cashflow projections or a history of earnings to support either of these methods post the Proposed Transaction.

8. Valuation of DigitalX Limited prior to the Proposed Transaction

8.1 As stated at paragraph 7.14 we have assessed the value of a DigitalX Share prior to the Proposed Transaction on a sum of parts basis and have also considered the quoted price of its listed securities. In both valuations, we have included a premium for control.

Sum of parts valuation

8.2 We have assessed the value of a DigitalX Share on a control basis to be approximately \$0.004 per Share (undiluted), prior to the Proposed Transaction, based on the sum of parts valuation approach, as summarised in the table below.

Table 7 Assessed Fair Value of a DigitalX Share – sum of parts basis

\$A	Ref	Audited 31-Dec-16	Unaudited 31-May-17
Cash and cash equivalents (USD)		972,498	74,523
Intangible assets	8.5	735,633	992,415
Other assets and liabilities		(460,187)	(1,066,938)
Net asset value (USD)	8.4	1,247,944	693,510
AUD:USD exchange rate	8.8	1.3261	1.3261
Net assets value (AUD)		1,654,879	919,652
Number of Shares on issue			212,044,933
Value per share (undiluted) (AUD)			\$0.004

Source: RSM analysis

8.3 We have been advised that there have been material changes to the net assets of DigitalX since 31 December 2016. We outline these and other adjustments to our sum of parts value below.

Net assets

8.4 The Company has provided an update to the 31 December 2016 reviewed financial statements by way of unaudited management accounts as at 31 May 2017, which are included in the pro-forma balance sheet of the Company in the Notice, which this Report accompanies. The unaudited net asset position at 31 May 2017 reflects normal trading of the Company since 31 December 2016, plus A\$700k raised from Ironside under the Capital Raising prior to the Proposed Transaction.

Intangible assets

8.5 As discussed in Paragraph 5.5, the Company reported intangible assets of US\$735k as at 31 December generated from the development of AirPocket, following an impairment write-down of circa US\$1.1m at 30 June 2016 relating to capitalised AirPocket development costs.

8.6 Per the Company's 31 December 2016 financial statements, "the Company evaluated the criteria required to be satisfied for an intangible asset arising from the development phase of an internal project to be recognised and concluded in respect to AirPocket that all conditions... have been demonstrated in the period," citing an agreement signed between the Company and a leading international remittance company, Servicio UniTeller Inc., (UniTeller), which provides AirPocket access to Uniteller's 40,000 cash out locations worldwide.

8.7 Giving consideration to these positive developments for the AirPocket application since 30 June 2016 and on the basis that the Company's auditor, Grant Thornton Audit Pty Ltd, cited no material misstatements regarding the carrying value of intangible assets reported in the Company's 31 December 2016 financial statements, we have adopted the book value of the intangible assets as at 31 December 2016 in our valuation of a DigitalX Share prior to the Proposed Transaction; updated for capitalised expenditure incurred in the subsequent period to 31 May 2017 as presented in the Company's unaudited management accounts.

Exchange rate

8.8 We have converted the net assets of the Company from USD to AUD at an AUD:USD exchange rate of 1.3261 USD as sourced from S&P Capital IQ on 23 June 2017.

Quoted price of a listed security

8.9 In order to provide a comparison and cross check to our net assets on a going concern valuation of DigitalX, we have considered the recent quoted market price for DigitalX Shares on the ASX prior to the announcement of the Proposed Transaction.

Analysis of trading of DigitalX Shares – pre-announcement

8.10 The figure below sets out a summary of DigitalX's closing Share prices and traded volumes in the 12 months to 1 June 2017, representing the last day the Company's Shares were traded prior to entering a trading halt in advance of the Company's announcement of the Proposed Transaction.

Figure 2 DCC Share price performance



Source: S&P's Capital IQ

8.11 Under RG 111.69 for the quoted market price methodology to be considered a reliable valuation method there needs to be a deep market in the shares to reflect a liquid and active market. We consider regular trading, sufficient spread of shareholders and an annual trading volume of around 50% of shares outstanding to generally indicate that a stock is liquid, such that no single minority trade or substantial shareholder can influence the market capitalisation of a listed company.

8.12 During the period prior to 1 June 2017, DigitalX Shares displayed a high volume of trading with approximately 107% of Shares traded over a 12-month period. Over this time, the Company's shares traded at between \$0.02 and \$0.16 per Share.

- 8.13 The most significant trading day during this period occurred on 25 August 2017, where 26.3 million Shares or 14.8% of the Company's issued capital were traded following the announcement of the Share buy-back in respect of all securities held by the Company's former Executive Chairman, Mr Zhenya Tsvetnenko. Excluding this volume, approximately trading 92% of Shares were traded in the 12 months prior to the Proposed Transaction.
- 8.14 Furthermore, per the Company's top twenty Shareholders as at 14 June 2017 included in Section 5 there is sufficient spread in the share register with no individual Shareholder having a voting interest of greater than 10%.
- 8.15 After considering these factors against RG 111.69, we consider the Company's stock to be highly liquid.
- 8.16 Further analysis of the volume in trading in DigitalX's Shares for the 1, 5, 10, 30, 60, 90, 120 and 180-day trading periods up until 1 June 2017, being the last day DigitalX Shares were traded prior to the Proposed Transaction, is set out in the table below.

Table 8 Traded volumes of DigitalX Shares to 1 June 2017

# of Days	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day	120 Day	180 Day
VWAP	0.021	0.021	0.023	0.030	0.039	0.040	0.041	0.048
Total Volume (000's)	659.7	3,488.6	7,086.7	17,202.0	47,931.9	88,166.5	104,577.0	138,659.6
Total Volume as a % of Total Shares	0.31%	1.65%	3.34%	8.11%	22.60%	41.58%	49.32%	65.39%
Low Price	0.020	0.020	0.020	0.020	0.020	0.020	0.020	0.020
High Price	0.023	0.024	0.030	0.041	0.052	0.052	0.052	0.110

Source: S&P's Capital IQ

Value of a DigitalX Share on a non-control basis

- 8.17 In our opinion the weighted average Share price of DigitalX over the last 10 trading days prior to the announcement of the Proposed Transaction is most reflective of the underlying value of a DigitalX Share. As such, we consider a range of values of between A\$0.021 and A\$0.023 (1 - 10 day VWAP) best reflects the quoted market price valuation of a DigitalX Share on a minority basis prior to the Proposed Transaction.

Value of a DigitalX Share on a control basis

- 8.18 Our valuation of a DigitalX Share, on the basis of the recent quoted market price including a premium for control is between \$0.027 and \$0.032, as summarised in the table below.

Table 9 Assessed value of a DigitalX Share - quoted price of listed securities

A\$	Ref.	Low	High
30 day VWAP of a DCC Share at 1 June 2016	8.17	\$0.021	\$0.023
Add premium for control		30%	40%
Quoted market price controlling value		\$0.027	\$0.032

Source: RSM analysis

Key assumptions

Control premium

- 8.19 The value derived at paragraph 8.21 is indicative of the value of a marketable parcel of shares assuming the Shareholder does not have control of DigitalX. RG 111.11 states that when considering the value of a company's Shares the expert should consider a premium for control.
- 8.20 In selecting a control premium we have given consideration to the RSM 2017 Control Premium Study. The study performed an analysis of control premiums paid over an 11-year period to 30 June 2016 in 463 successful takeovers and schemes of arrangements of companies listed on the ASX. Our study concluded that, on average, control premiums in takeovers and schemes of arrangements involving Australian companies in the information technology sectors was in the range of 30% to 40%. In valuing an ordinary DigitalX Share prior to the Proposed Transaction using the quoted price of listed securities methodology we have reflected a premium for control in the range of 30% to 40%.

Valuation summary and conclusion

- 8.21 A summary of our assessed values of an ordinary DigitalX Share on a control basis prior to the Proposed Transaction, derived under the two methodologies, is set out in the table below.

Table 10 DigitalX Share valuation summary

A\$	Ref.	Low	High
Sum of parts	8.2	\$0.004	\$0.004
Quoted market price	8.18	\$0.027	\$0.032
Preferred valuation		\$0.004	\$0.004

Source: RSM Analysis

- 8.22 We note that the value calculated on a sum of parts basis is significantly lower than our value derived using the quoted market price methodology.
- 8.23 Given the small market capitalisation of DigitalX, its history of losses and the relatively new and high risk nature of the industry in which it operates, we consider the quoted market price methodology to be speculative in nature, in that it reflects investors' perception of the upside potential in the prospects of the Company, rather than the Company's fundamental value at a point in time. While we consider the Company's trading depth to be sufficiently liquid as discussed 8.15, we do not consider the quoted market price to be an appropriate measure of the Company's fair value prior to the Proposed Transaction.
- 8.24 Therefore, in our opinion, the Fair Value of a DigitalX Share prior to the Proposed Transaction is approximately \$0.004 on a controlling and undiluted basis.
- 8.25 Our assessment does not include the dilutive impact of 23,486,000 Company Options held by Non-Associated Shareholders prior to the Proposed Transaction as they are considered out of the money at the date of this Report. However we note that with an exercise price of \$0.08 each, the exercise of Company Options would likely be value accretive on our assessed sum of parts value per Share.

9. Valuation of DigitalX following to the Proposed Transaction

9.1 We summarise our valuation of a DigitalX Share subsequent to the Proposed Transaction using the quoted market price methodology in accordance with our preferred method prior to the Proposed Transaction.

Sum of all parts

Undiluted minority value per Share

9.2 We have assessed the value of a DigitalX Share on a minority basis to be approximately \$0.009 per Share (undiluted) following the Proposed Transaction, based on the sum of parts valuation approach, as summarised in the table below.

Table 11 Assessed sum of parts value of DigitalX post the Proposed Transaction - undiluted

\$A	Ref	Low	High
Undiluted value per Share:			
Sum of parts value prior to the Proposed Transaction	8.2	\$919,652	\$919,652
Add: Proceeds from A\$300,000 Converting Loan received from Blockchain	3.2	\$300,000	\$300,000
Add: Proceeds from Subscription Shares issued to Blockchain	3.3	\$3,505,118	\$3,505,118
Less: Cost of Ironside Capital Raising fees and Mandate Fees	3.9	(\$318,771)	(\$318,771)
		<u>\$4,405,999</u>	<u>\$4,405,999</u>
Shares on issue prior to the Proposed Transaction	5.20	212,044,933	212,044,933
Add: Loan Shares issued to Blockchain via A\$300,000 Converting Loan	3.2	11,111,111	11,111,111
Add: Subscription Shares issued to Blockchain	3.3	129,819,193	129,819,193
Add: Shares Issued to Ironside in lieu of fees under the Proposed Transaction	3.9	11,806,341	11,806,341
		<u>364,781,578</u>	<u>364,781,578</u>
Undiluted value per Share post the Proposed Transaction		\$0.012	\$0.012
Less: minority discount		-29%	-23%
Sum of parts value per Share (undiluted)		\$0.009	\$0.009

Source: RSM analysis

9.3 The undiluted and non-controlling sum of parts value of a DigitalX Share shown above has been calculated based on the pre-Proposed Transaction sum of parts value, adjusted for Shares which it is assumed will be issued immediately upon completion of the Proposed Transaction, including:

- 129,819,193 Subscription Shares issued to Blockchain;
- 11,111,111 Loan Shares issued to Blockchain; and
- 11,806,341 Shares issued to Ironside in lieu of outstanding fees and costs associated with the Proposed Transaction per Resolutions 6 and 7 of the Notice.

Diluted minority value per Share – assuming both Blockchain and Ironside convert

9.4 Set out in the following table is our assessment of the fully diluted minority value per DigitalX Share, which assumes that all Convertible Notes and Options issued to Blockchain and Ironside under the Proposed Transaction are converted into Shares in the Company.

Table 12 Assessed sum of parts value of a DigitalX Share post the Proposed Transaction – fully diluted

\$A	Ref	Low	High
Undiluted sum of parts value (carried forward)		\$4,405,999	\$4,405,999
Add: Proceeds from exercise of Blockchain Subscription Options		\$1,401,907	\$1,401,907
Add: Proceeds from issue of Blockchain Subscription Convertible Notes ⁽¹⁾		\$550,000	\$550,000
Add: Proceeds from exercise of Blockchain Subscription Convertible Note Options		\$178,200	\$178,200
Add: Proceeds from exercise of Blockchain Incentive Options		\$356,400	\$356,400
Add: Proceeds from exercise of Ironside Convertible Note Options		\$226,800	\$226,800
Add: Proceeds from exercise of Ironside Incentive Options		\$453,600	\$453,600
Add: Proceeds from exercise of Ironside Performance Right Options		\$1,166,400	\$1,166,400
Add: Proceeds from issue of Ironside Convertible Notes ⁽¹⁾		\$700,000	\$700,000
		<u>\$9,439,306</u>	<u>\$9,439,306</u>
Partly diluted number of Shares on issue (carried forward)		364,781,578	364,781,578
Add: Shares issued to Blockchain upon conversion of Subscription Options		43,268,737	43,268,737
Add: Shares issued to Blockchain upon exercise of Subscription Convertible Notes ⁽¹⁾		20,370,370	20,370,370
Add: Shares issued to Blockchain upon exercise of Subscription Convertible Note Options		5,500,000	5,500,000
Add: Shares issued to Blockchain upon exercise of Blockchain Incentive Options		11,000,000	11,000,000
Proceeds from exercise of Ironside Convertible Note Options		7,000,000	7,000,000
Proceeds from exercise of Ironside Incentive Options		14,000,000	14,000,000
Proceeds from exercise of Ironside Performance Right Options		36,000,000	36,000,000
Proceeds from conversion of Ironside Convertible Notes ⁽¹⁾		25,925,926	25,925,926
		<u>527,846,611</u>	<u>527,846,611</u>
Diluted value per Share - control basis		\$0.018	\$0.018
Less: minority discount		-29%	-23%
Sum of parts value per Share (fully diluted)		\$0.013	\$0.014
Sum of parts value per Share assuming Blockchain and Ironside Convertible Notes are not converted (fully diluted) ⁽¹⁾	9.6	\$0.012	\$0.013

Source: RSM analysis

- Should Blockchain and Ironside elect not to convert their Convertible Notes into Shares in the Company, we have calculated the debt to be repaid by the Company based on a coupon rate of 15% and an effective interest rate of 16% over a 12-month term for all the Blockchain and Ironside Convertible Notes. We note that this excludes the Blockchain Converting Loan which it is assumed, as discussed in Paragraph 3.2, will be converted immediately upon completion of the Proposed Transaction.

9.5 We have assessed the minority value of a DigitalX Share post the Proposed Transaction assuming both Blockchain and Ironside Convertible Notes and Options are converted to be between \$0.013 and \$0.014 per Share.

9.6 Should Blockchain and Ironside elect not to convert their Convertible Notes into Shares in the Company, our assessed value of a DigitalX Share immediately prior to the conversion of the Blockchain and Ironside Convertible Notes would reduce to between \$0.012 to \$0.013 per Share.

9.7 As discussed in 8.25 our assessment does not include the impact of 23,486,000 Company Options held by Non-Associated Shareholders prior to the Proposed Transaction as they are considered out of the money at the date of this Report. However, we note that with an exercise price of \$0.08 each, the exercise of Company Options would likely be value accretive on our assessed sum of parts value per Share.

Quoted market price valuation

9.8 We have also assessed the quoted market price of a DigitalX Share following the announcement of the Proposed Transaction based on the 10 days of public trading of the Company's Shares on the ASX after 7 June 2017 (the "Post Announcement Trading Period"). During the Post Announcement Trading Period there was no other price sensitive information released to the market, during which time the Share price and trade volumes of DigitalX increased considerably from the levels observed immediately prior to the announcement of the Proposed Transaction.

9.9 The table below sets out the 10 days of public trading of the Company's Shares on the ASX both immediately prior to and following the announcement of the Proposed Transaction on 7 June 2017.

Table 13 DigitalX 10-day trading pre and post announcement of the Proposed Transaction

DigitalX 10 Days trading	Pre-Announcement Trading Period	Post Announcement Trading Period
VWAP	0.023	0.040
Total Volume (000's)	7,086.7	181,257.5
Total Volume as a % of Total Shares	3.34%	85.48%
Low Price	0.020	0.026
High Price	0.030	0.050

Source: S&P's Capital IQ

9.10 The above table indicates that DigitalX's Shares display a high level of liquidity In the Post Announcement Trading Period.

9.11 In the Post Transaction Trading Period, approximately 85% of the Company's Shares were traded, compared to approximately 3% in the 10-day period prior to the announcement of the Proposed Transaction. Additionally, during the post-announcement trading the Company's Share price increased to a high of \$0.05 on 15 June 2017 compared pre-announcement closing price of \$0.023 on 1 June 2017.

9.12 This trading activity following the announcement represents a significant and positive market response to the Proposed Transaction and a deep and liquid market for the Company's Shares.

9.13 Our assessment is that the value of a DigitalX Share based on the quoted market price of DigitalX Shares traded in the Post-Announcement Trading Period is between \$0.040 and \$0.046.

Table 14 Indicative value of a DigitalX Share post the Proposed Transaction

\$A	Ref	Low	High
Quoted market price value of DigitalX post-announcement of the Proposed Transaction		\$0.040	\$0.046
Quoted market price of DigitalX – minority value		\$0.040	\$0.046

Source: RSM analysis

Valuation summary and conclusion

9.14 A summary of our assessed values of a DigitalX Share on an undiluted and minority basis following the Proposed Transaction, derived under the two methodologies, is set out in the table below.

Table 15 DigitalX Share valuation summary

\$A	Ref	Low	High
Undiluted sum of parts value per DigitalX Share post the Proposed Transaction	9.2	\$0.009	\$0.009
Diluted sum of parts value per Share assuming both Blockchain and Ironside convert	9.4	\$0.013	\$0.014
Quoted market price value of DigitalX post announcement	9.13	\$0.040	\$0.046
Preferred Value - undiluted		\$0.009	\$0.009
Preferred Value – diluted		\$0.013	\$0.014

Source: RSM Analysis

- 9.15 In our opinion, the sum of parts valuation method is the most appropriate basis for assessing the fundamental value of a DigitalX Share following the Proposed Transaction.
- 9.16 Whilst the high liquidity displayed in the Company’s Shares during the Post Transaction Trading Period may enable an assessment of the Company’s quoted market price following the announcement of the Proposed Transaction, in our opinion, an analysis of the quoted market price prior to Shareholder approval being obtained and the Proposed Transaction completing provides an indicative valuation only.
- 9.17 To the extent that the post-announcement quoted market price may reflect investor’s perceived value of the Proposed Transaction, it also incorporates investor’s perceived risks of the Proposed Transaction not proceeding. Furthermore, investors trading in companies with a similar size to DigitalX and the industry in which it operates tend to be more speculative in nature. This is reflected in our sum of parts valuation assessment being significantly lower than the value derived using the quoted market price methodology, which may include a degree of speculation.
- 9.18 Accordingly, we consider the Fair Value of a DigitalX Share following the Proposed Transaction to be approximately \$0.009 on an undiluted basis and between \$0.013 and \$0.014 on a fully diluted basis.

10. Is the Proposed Transaction Fair to DigitalX Shareholders?

10.1 Our assessed values of a DigitalX Share prior to and immediately after the Proposed Transaction, are summarised in the table and figure below.

Table 16 Assessed values of an DigitalX Share pre and post the Proposed Transaction

Assessment of fairness	Ref	Low \$A	Value Preferred \$A	High \$A
Undiluted				
Fair Value of a DigitalX Share prior to the Proposed Transaction	8.21	\$0.004	\$0.004	\$0.004
Fair Value of a DigitalX Share post the Proposed Transaction	9.2	\$0.009	\$0.009	\$0.009
Diluted				
Fair Value of a DigitalX Share prior to the Proposed Transaction	8.21	\$0.004	\$0.004	\$0.004
Fair Value of a DigitalX Share post the Proposed Transaction	9.4	\$0.013	\$0.013	\$0.014

Source: RSM analysis

- 10.2 The table above reflects a comparison of the values of an undiluted DigitalX before and after the Proposed Transaction is approved under each scenario included in the table. The table indicates that the range of values post the Proposed Transaction are above the range of the values prior to the Proposed Transaction on both an undiluted and diluted basis, with the dilutive securities issued under the Proposed Transaction having a positive impact on our sum of parts value per Share post the Proposed Transaction.
- 10.3 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Act, we consider the Proposed Transaction to be fair to the Non-Associated Shareholders of DigitalX. We have reached this conclusion based on the analysis of prior to and post Proposed Transaction values.
- 10.4 Whilst we have not relied upon our secondary valuation method in our assessment of fairness, we note that the range of values assessed for a DigitalX Share on a minority basis post the Proposed Transaction are higher than the range of values calculated on a controlling basis prior to the Proposed Transaction, which supports our assessment of fairness derived under our primary method.

11. Is the Proposed Transaction Reasonable?

11.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of DigitalX if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Future prospects of DigitalX if the Proposed Transaction does not proceed

11.2 As at 31 May 2017 the Company had cash and cash equivalents of approximately US\$75k, despite having raised A\$700,000 from Ironside under the Capital Raising across March and April 2017.

11.3 If the Proposed Transaction does not proceed, the Company will be required to repay the initial A\$300,000 Converting Loan already received from Blockchain under the Proposed Transaction and will need to seek immediate and alternate funding in order to support its working capital requirements and to continue operating as a going concern.

Trading in DigitalX Shares following the announcement of the Proposed Transaction

11.4 As discussed in Paragraphs 9.10 to 9.13, there was an immediate and positive response to the announcement of the Proposed Transaction reflected in the Company's trade volumes and share price performance. In the 10 trading days following the announcement of the Proposed Transaction approximately 85% of the Company's issued capital was traded and the Company's Share price increased from a closing price of \$0.023 on 1 June 2017 to a high of \$0.05 on 15 June 2017.

11.5 The increase in volume and Share price following the announcement indicates a positive reaction in the market to the Proposed Transaction, which supports the reasonableness of the Proposed Transaction to Non-Associated Shareholders of the Company.

Advantages and disadvantages

11.6 In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceed, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of approving the Proposed Transaction

Advantage 1 – The Proposed Transaction is fair

11.7 The Proposed Transaction is Fair.

Advantage 2 – The Company will have working capital to continue operations and pursue strategic interests

11.8 Proceeds from the Proposed Transaction will provide the Company with A\$4.35m to help fund working capital and capitalise on opportunities within the Blockchain market in Australia and the US, giving consideration to the Company's US\$75k cash on hand as at 31 May 2017.

Advantage 3 – The investment price represents a premium to the Company's pre-announcement trading price

11.9 The investment price of \$0.027 per Share represents a significant premium to the Company's closing Share price immediately prior to the announcement of the Proposed Transaction.

Advantage 4 – A new Cornerstone investor may bring strategic opportunities to the Company

- 11.10 In acquiring a maximum voting interest of up to 49.7%, Blockchain will become a cornerstone investor in the Company, providing DigitalX will potential opportunities to collaborate with Blockchain further on joint and mutually beneficial projects.

Advantage 5 – New Directors will add relevant experience, skills and networks to the Company

- 11.11 The appointment of two new directors by Blockchain will add relevant experience, skills and networks to the Company.

Disadvantages of approving the Proposed Transaction

Disadvantage 1 – Dilution of Non-Associated Shareholders

- 11.12 Non-Associated Shareholder interests in DigitalX will be reduced from 100% to 58.1% on an undiluted basis (42.7% fully diluted);

Disadvantage 2 – Potential loss of control premium and deterrent for future takeover

- 11.13 The presence of a cornerstone shareholder such as Blockchain in the share register may detract from the attractiveness of DigitalX as a takeover target and accordingly, Shareholders may potentially be foregoing any future control premium in any Shares they continue to hold in DigitalX.

Alternative proposal

- 11.14 We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders of DigitalX a greater benefit than the Proposed Transaction.

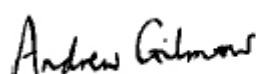
Conclusion on Reasonableness

- 11.15 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of DigitalX.
- 11.16 An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD

A GILMOUR



Director

G YATES



Director



APPENDICES

A. DECLARATIONS AND DISCLAIMERS

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Mr. Andrew Gilmour and Mr Glyn Yates are directors of RSM Corporate Australia Pty Ltd. Both Mr Gilmour and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of DigitalX Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$17,500 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of DigitalX Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of Extraordinary General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting;
- Audited financial statements for DigitalX for the years ended 30 June 2015 and 30 June 2016;
- Reviewed half yearly accounts of the Company for the period to 31 December 2016;
- Company statement of financial position as at 31 May 2017;
- ASX announcements of the Company;
- DigitalX Circular Resolution of Directors including Binding Term Sheet for investment in DigitalX by Blockchain Global;
- S&P Capital IQ database; and
- Discussions with Directors, Management and staff of DigitalX

C. GLOSSARY OF TERMS

Term or Abbreviation	Definition
\$	Australian dollar
Act	Corporations Act 2001 (Cth)
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX as amended from time to time
Blockchain MSB	Blockchain MSB Accounting and Business Intelligence Solutions
Company	DigitalX Limited
Control basis	As assessment of the Fair Value on an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
Directors	Directors of the Company
ERP	Enterprise resource planning software
Explanatory Statement	The explanatory statement accompanying the Notice
Fair Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
IER	This Independent Expert Report
Non-Associated Shareholders	Shareholders who are not a party, or associated to a party, to the Proposed Transaction
Notice	The notice of meeting to vote on, inter alia, the Proposed Transaction
Option or Options	Unlisted options to acquire Shares with varying vesting conditions
Proposed Transaction	The approval for the acquisition of a relevant interest in the company by Blockchain global limited
Report	This Independent Expert's Report prepared by RSM dated 17 July 2017
Resolution	The resolutions set out in the Notice
RG 111	ASIC Regulatory Guide 111 Content of Expert Reports
RSM	RSM Corporate Australia Pty Ltd
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
Share or DigitalX Share	Ordinary fully paid share in the capital of the Company
Shareholder	A holder of Share
VWAP	Volume weighted average share price

D. INTER-DEPENDENT RESOLUTIONS

1. RESOLUTION 1 –RATIFICATION OF PRIOR ISSUE OF OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 5,000,000 Options on the terms and conditions set out in the Explanatory Statement.”

2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF TRANCHE 1 CONVERTIBLE NOTES AND OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 30 Convertible Notes and 3,000,000 Options on the terms and conditions set out in the Explanatory Statement.”

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF TRANCHE 2 CONVERTIBLE NOTES

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 40 Convertible Notes on the terms and conditions set out in the Explanatory Statement.”

4. RESOLUTION 4 – APPROVAL TO ISSUE TRANCHE 2 CONVERTIBLE NOTE OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 4,000,000 Options, on the terms and conditions set out in the Explanatory Statement.”

5. RESOLUTION 5 – APPROVAL TO ISSUE BROKER PERFORMANCE RIGHTS

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 36 Broker Performance Rights to Ironside (or its nominee(s)) on the terms and conditions set out in the Explanatory Statement.”

6. RESOLUTION 6 – APPROVAL TO ISSUE SHARES TO IRONSIDE IN LIEU OF CAPITAL RAISING FEES

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 9,678,040 Shares to Ironside (or its nominee(s)) on the terms and conditions set out in the Explanatory Statement.”

7. RESOLUTION 7 – APPROVAL TO ISSUE SHARES TO IRONSIDE FOR OUTSTANDING MANDATE FEES

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 2,128,301 Shares to Ironside (or its nominee(s)) on the terms and conditions set out in the Explanatory Statement.”

8. RESOLUTION 8 – APPROVAL TO ISSUE NEW INCENTIVE OPTIONS TO HOLDERS OF CONVERTIBLE NOTES

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 14,000,000 Incentive Options on the terms and conditions set out in the Explanatory Statement.”

9. RESOLUTION 9 – APPROVAL FOR THE ACQUISITION OF A RELEVANT INTEREST IN THE COMPANY BY BLOCKCHAIN GLOBAL LIMITED

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an ordinary resolution:

“That, subject to the passing of Resolutions 1 to 8 (inclusive) for the purposes of Section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for the Company to issue up to:

- (a) 129,819,193 Subscription Shares;*
- (b) 43,268,737 Subscription Options;*
- (c) 43,268,737 Shares upon the exercise of the Subscription Options referred to in paragraph (b) above;*
- (d) 11,111,111 Shares upon conversion of the Loan;*
- (e) 55 Subscription Convertible Notes;*
- (f) 20,370,370 Shares upon the conversion of the Subscription Convertible Notes referred to in paragraph (e) above;*
- (g) 5,500,000 Subscription Convertible Note Options issued free attaching to the Subscription Convertible Notes;*
- (h) 5,500,000 Shares upon the exercise of the Subscription Convertible Note Options referred to in paragraph (g) above;*
- (i) 11,000,000 Incentive Options; and*
- (j) 11,000,000 Shares upon the exercise of the Incentive Options referred to in (i) above,*

to Blockchain Global Limited (or its nominee) on the terms and conditions set out in the Explanatory Statement, which will result in Blockchain Global Limited’s maximum voting power in the capital of the Company being 49.69%.”

THE POWER OF BEING UNDERSTOOD
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RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

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Proxy Form

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 **For your vote to be effective it must be received by 10:00am (WST) Wednesday, 23 August 2017**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the Company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔



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Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of DigitalX Ltd hereby appoint

the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of DigitalX Ltd to be held at Quest West Perth, 54 Kings Park Road, West Perth, Western Australia on Friday, 25 August 2017 at 10:00am (WST) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Ratification of prior issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of prior issue of Tranche 1 Convertible Notes and Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of prior issue of Tranche 2 Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval to issue Tranche 2 Convertible Note Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval to issue Broker Performance Rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval to issue Shares to Ironside in lieu of Capital Raising Fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval to issue Shares to Ironside for outstanding Mandate Fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval to issue New Incentive Options to holders of Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Approval for the acquisition of a relevant interest in the Company by Blockchain Global Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date / /