

APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

A. Reporting Period

Financial period 31 December 2018.

B. Previous Corresponding Period (PCP)

The previous corresponding period for the Group is the period end 31 December 2017.

C. Results

	% change from financial period ending 31 Dec 2017	\$USD
Revenue from ordinary activities	↓ 78%	764,955
Profit/(loss) from ordinary activities after tax attributable to members	↓ ¹	(\$3,928,366)
Profit/(loss) for the period attributable to members	↓ ¹	(\$3,928,366)

¹ As the entity was in a profit making position in the previous reporting period no percentage change has been disclosed.

D. Net tangible asset per ordinary share

2018 US cents/share	2017 US cents/share
0.015	0.03

E. Dividends paid or recommended

No dividends have been paid or declared for payment during the financial year (Prior period: Nil).

F. Entities over which control has been lost during the period

Not applicable.

G. Entities over which control has been gained during the period

DigitalX Asset Management Pty Ltd*
DigitalX (BVI) Limited*

* Entities are new Group entities that have been incorporated during the period and no amounts have been incurred for the period.

H. Associates and joint venture entities

Digital Multiplier Pty Ltd (Refer to Note 7 of the Notes to the Financial Report).
DigitalX Fund Unit Trust (Refer to Note 7 of the Notes to the Financial Report).
Futuredge Capital (Refer to Note 7 of the Notes to the Financial Report).
DX Americas LLC (Refer to Note 7 of the Notes to the Financial Report).

DIGITALX LTD

**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2018**



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DIRECTORS' REPORT

Your Directors present their report together with the financial report on the consolidated entity (referred to hereafter as the Group or Consolidated entity) consisting of DigitalX Limited (DigitalX or the Company) and the entities it controlled at the end of, or during, the period ended 31 December 2018.

Information contained within this report and the financial report is presented in United States dollars (\$USD).

Directors & Company Secretary

The names of directors & secretary of the Company during or since the end of the half year are:

Mr Peter Rubinstein, Non-Executive Chair
Mr Leigh Travers, Managing Director and Chief Executive Officer
Mr Samuel Lee, Non-Executive Director
Mr Toby Hicks, Non-Executive Director (Resigned 7 September 2018)
Ms Shannon Coates, Company Secretary

Financial Review

The consolidated loss attributable to members of the Group after providing for income tax amounted to \$USD 3,928,366 (2017: profit of \$USD 8,031,669) and net assets of \$7,706,593 (30 June 2018: net assets of \$10,818,873). This is primarily attributable to lower revenues from token advisory which is consistent with the overall market trend for crypto assets.

Operating Review

During the period the Group continued to develop and deliver on its strategy of focussing on advisory related services to the blockchain market. The principal activities of the Group consisted of:

- Token Advisory;
- Blockchain consulting;
- Funds under management; and
- Media.

Refer to section below for further details.

Commentary

DigitalX closed out the calendar year 2018 by maintaining its position as the leading publicly listed blockchain corporate advisory firm for both technical and financial solutions. The Company is continuing its strategy and execution through its four business lines; token advisory services, blockchain consulting, asset management and media and education.

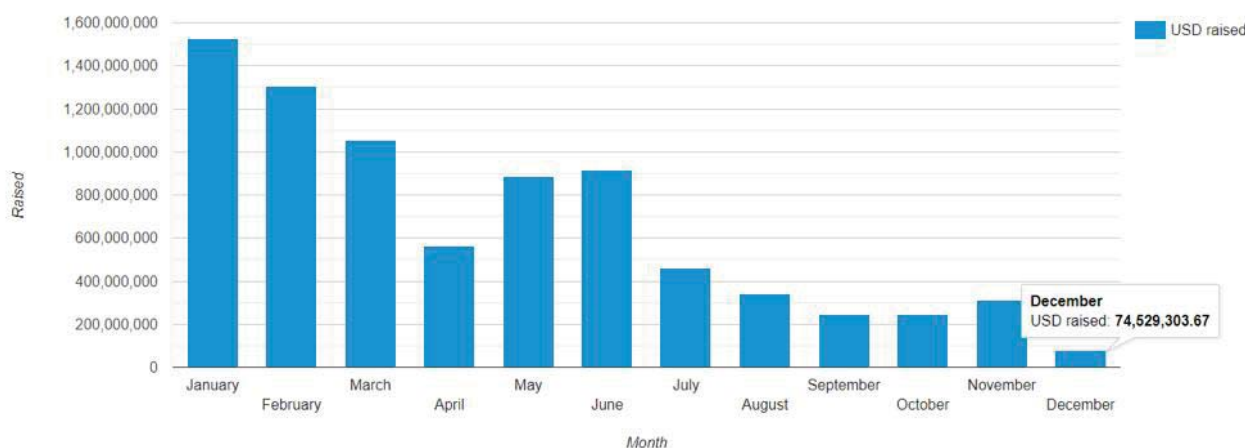
Token Advisory

While ICO funding slowed considerably during the second half of calendar year 2018, reflecting the short-term sentiment within the cryptoasset market, DigitalX has been working diligently on shaping its offerings towards the evolving Security Token Offering (STO) market. We are delighted to see the market maturing with high profile STO exchanges such as Open Finance and tZero now coming online to provide secondary trading of STOs over 2019 calendar year.

DigitalX continued to provide ICO advisory services during the period to a number of clients that were mandated prior to the second half of 2018. While the ICO funding method was appropriate for many companies to fund exciting technologies, in some circumstances other funding methods can better align interests of funders and issuers. DigitalX is in discussions with some ICOs (including DigitalX clients) to in some circumstances convert tokens to equity, including STOs, to better align incentives of all parties.

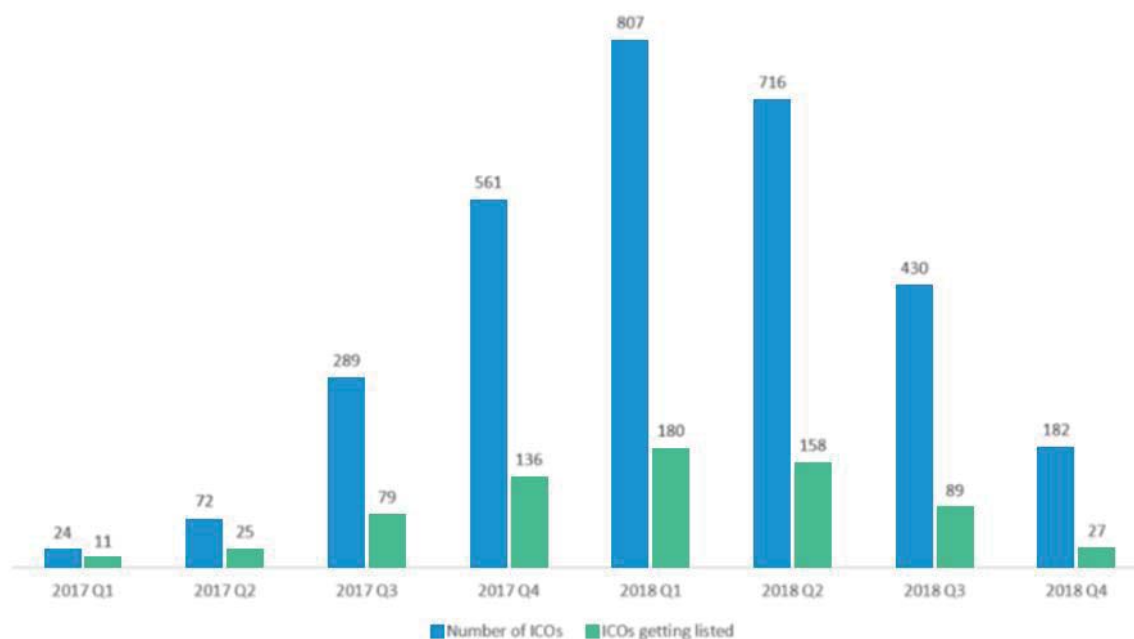
DIRECTORS' REPORT

Table 1. ICO funding per month in 2018 (US\$)



Source: <https://www.icodata.io/stats/2018>

Table 2. Number of ICOs live during quarter vs number of ICOs which listed on exchanges



Source: <https://www.inwara.com/report/annual-report-2018>

On 22 November 2018 DigitalX announced it had launched an incorporated joint venture “DXAmericas” with US-based investment bank and broker-dealer Americas Executions (AmerX) to service the STO marketplace. The joint venture continues to review a number of international and local potential advisory and media clients for STOs and is building the pipeline of leads interested in advisory services required to successfully execute a STO.

Blockchain Consulting

DigitalX has received a number of enquiries and delivered several proposals for blockchain consulting services during the quarter. The consulting business provided smart contracting services for a token backed by gold bullion and blockchain certified with Bullion Assets Management (BAM) based in Singapore. BAM’s owners include Australia’s leading gold bullion merchants. This projects marks DigitalX’s first involvement in a stablecoin, described by Forbes as “the true essence of what an optimal cryptocurrency should really be; Stable, Scalable, Private, and Decentralised.”

DIRECTORS' REPORT

DigitalX Asset Management

DigitalX operates an unlisted fund in Australia that provides institutional and high net worth investors exposure to the top cryptoassets. This index related fund was established in April 2018 and has funding levels which are at the seed stage; pleasingly, the fund has outperformed the top 10 crypto index since inception. The Asset management division is preparing marketing materials in anticipation of a more positive market for fund raising for this particular fund during 2019.

The Company has established a world class asset management team and has delivered considerable research into the strategy to broaden the technology investment offering. In response to this research as well as from investor meetings, DigitalX has ramped up efforts internationally and established a presence in Malta and Panama during the first half of the year. In addition, DigitalX has worked closely with potential partners in the USA and is focused on executing partnership agreements and securing assets to manage during 2019.

Media and Education "Coincast Media"

Coincast Media and its suite of media assets including Coincast TV, Coincast News and the Coin.org education tutorial platform, continue to provide investor relations, public relations and marketing services to global blockchain businesses.

Coincast Media finalized the first 12-week series of weekly blockchain TV show Coincast TV in November, delivering to a core marketplace aged 18-34 with an average salary around \$85,000. Coincast Media is currently in negotiations with a new major broadcaster for the launch of the second season of Coincast TV in early 2019. The market will be notified once an agreement has been finalised. Coincast Media expects to ramp up client activity as the STO marketplace expands during 2019.

Coincast Season 1 has also started being broadcast on DIVAN.TV, which was founded by serial entrepreneur and venture capitalist Andrey Koludyuk. DIVAN.TV is an international TV streaming service which is available in more than 200 countries around the world.

Blockchain Centre Perth Opening

DigitalX was pleased to host the official launch of the Blockchain Centre Perth during Q4 2018 calendar year. The event was well attended by members of the blockchain technology community, including guest presentations from Power Ledger Chair Jemma Green, Bitfury and Hut8 director Bill Tai as well as DigitalX directors Sam Lee and CEO Leigh Travers. The Blockchain Centre has been established to provide a place for startups and corporates in the fintech and blockchain industry to connect and collaborate and has continued to attract new tenants to the space with the aim of it becoming a profitable in the future.

Blockchain-based Software Products

ICO Platform – Futureedge Capital

The progress of the FutureICO platform has been slower than anticipated due to a rebrand of Futureedge Capital and difficulties in obtaining banking services for the platform. DigitalX still expects to launch this financial year, subject to clearing all regulatory and compliance hurdles and securing banking services.

Dividends

No dividends have been paid or declared up to the date of this report. The Directors have not recommended the payment of a dividend in the current financial year.

Any future determination as to the payment of dividends by the Company (and the potential creation of a dividend policy for that purpose) will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results, as well as the financial condition of the Company, future capital requirements, general business as well as other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

DIRECTORS' REPORT

Future Developments

The Company remains at the forefront of research and activity in the blockchain and cryptoasset market as it builds its global brand within this emerging sector. The establishment of the Perth Blockchain Centre is testament to the commitment towards the technology and the growth of the industry over the long term. As the STO market matures over 2019, DigitalX is positioned well to provide services and remains leveraged to an uptick in activity in any activity in cryptoassets.

Subsequent events

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years other than those set out in note 17.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

The Directors' Report is signed in accordance with a resolution of the directors made pursuant to s. 306(3) of the Corporations Act 2001.

On behalf of the directors.

A handwritten signature in dark ink, appearing to read 'LTD' followed by a large, stylized loop.

Leigh Travers

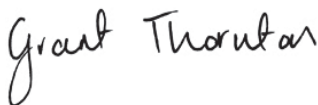
Managing Director and Chief Executive Officer
Perth, 28 February 2019

Auditor's Independence Declaration

To the Directors of DigitalX Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of DigitalX Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C A Becker
Partner – Audit & Assurance

Perth, 28 February 2019

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Independent Auditor's Review Report

To the Members of DigitalX Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of DigitalX Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated condensed statement of financial position as at 31 December 2018, and the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of DigitalX Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DigitalX Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C A Becker
Partner – Audit & Assurance

Perth, 28 February 2019

DIRECTOR'S DECLARATION

In the opinion of the Directors of DigitalX Limited (the 'Company'):

- (a) the financial statements, notes and the additional disclosures of the consolidated entity set out on pages 12 to 34 are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half year then ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the half year ended 31 December 2018.

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'LTD', followed by a large, stylized loop.

Leigh Travers
Managing Director and CEO
Perth, 28 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	Note	Period ended 31 December 2018 \$USD	Period ended 31 December 2017 \$USD
Revenue from operations		764,955	3,531,602
Net gain/(loss) on digital assets		(2,180,470)	8,077,757
Other Income		7,981	9,399
Professional and consultancy fees		(240,631)	(1,031,687)
Corporate expenses		(157,332)	(172,259)
Advertising, media and investor relations		(157,898)	(219,670)
Employee benefit expenses		(737,695)	(685,328)
Share based payments – employee benefits		(661,895)	(1,019,225)
Depreciation		(18,662)	(3,082)
Intangible asset impairment		(50,000)	-
Realised and unrealised foreign exchange losses		(218,902)	10,553
Fair value adjustment of derivative liability		-	-
Fair value adjustment of financial instruments		(43,996)	-
Interest expense		(69,833)	(15,622)
Finance costs		-	(367,038)
Other expenses		(395,440)	(124,479)
Equity accounted share of profit from joint venture		(18,213)	-
Profit/(Loss) before tax		(4,178,031)	7,990,921
Income tax benefit/(expense)		-	-
Profit/ (Loss) after income tax from continuing operations		(4,178,031)	7,990,921
Profit/(Loss) from discontinued operations		-	40,748
Profit/(Loss) for the period		(4,178,031)	8,031,669
Profit/(Loss) attributable to:			
Members of the parent entity		(3,928,366)	8,031,669
Non-controlling interests		(249,665)	-
		(4,178,031)	8,031,669

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME (CONT)

	<i>Note</i>	Period ended 31 December 2018 \$USD	Period ended 31 December 2017 \$USD
Profit/(Loss) for the period		(4,178,031)	8,031,669
Other comprehensive income for the period			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of operations		9,537	-
Other comprehensive income for the period, net of tax		9,537	-
Total comprehensive income for the period		(4,168,494)	8,031,669
Total comprehensive income/(loss) attributable to:			
Members of the parent entity		(3,892,929)	8,031,669
Non-controlling interests		(275,565)	-
		(4,168,494)	8,031,669
Profit/Loss per share attributable to the ordinary equity holders of the parent:			
Basic earnings/(loss) per share (cents)	3		
Earnings per share from continuing operations		(0.78)	2.24
Earnings per share from discontinued operations		-	0.01
Total		(0.78)	2.25
Diluted earnings/(loss) per share (cents)	3		
Earnings per share from continuing operations		(0.78)	2.23
Earnings per share from discontinued operations		-	0.01
Total		(0.78)	2.24

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2018 \$USD	30 June 2018 \$USD
CURRENT ASSETS			
Cash and cash equivalents	4	3,959,216	5,772,287
Trade and other receivables	5	1,046,097	1,295,844
Digital assets	6	2,493,318	4,500,282
Total Current Assets		7,498,631	11,568,413
NON-CURRENT ASSETS			
Investments	7	327,316	56,581
Property, plant and equipment	8	220,680	502
Intangible assets	9	-	49,519
Total Non-Current Assets		547,996	106,602
TOTAL ASSETS		8,046,627	11,675,015
CURRENT LIABILITIES			
Trade and other payables	10	340,034	574,696
Derivative financial instruments		-	-
Interest bearing liabilities	11	-	281,446
Total Current Liabilities		340,034	856,142
TOTAL LIABILITIES		340,034	856,142
NET ASSETS		7,706,593	10,818,873
EQUITY			
Contributed equity	12	31,117,670	30,431,588
Reserves	13	1,228,759	832,033
Retained earnings/(losses)		(24,887,713)	(20,959,347)
Capital & reserves attributable to owners of DigitalX		7,458,716	10,304,274
Non-controlling interests		247,877	514,599
TOTAL EQUITY		7,706,593	10,818,873

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Period ended 31 December 2018 \$USD	Period ended 31 December 2017 \$USD
<i>Cash flows from operating activities</i>			
Receipts from customers and sale of coins ¹		996,249	1,434,599
Payments to suppliers and employees		(1,787,677)	(991,246)
Other income		7,895	-
Interest paid		(12,000)	-
Income tax received/(paid)		14,906	-
Net cash provided by/(used in) operating activities		(780,627)	443,353
<i>Cash flows from investing activities</i>			
Payment for intellectual property		-	-
Acquisition of property plant and equipment		(342,123)	(1,883)
Payment for investments including digital assets in fund		(304,424)	-
Payment for deposits		-	-
Payment for investments and convertible note		(184,135)	-
Net cash used in investing activities		(830,682)	(1,883)
<i>Cash flows from financing activities</i>			
Proceeds from issue of equity securities		76,000	3,317,051
Proceeds from issue of units in fund		53,876	-
Proceeds from borrowings		-	-
Proceeds from issue of convertible notes		-	225,188
Other (Share Buy-back/Redemptions)		(84,402)	-
Payments for share issue costs		(7,305)	(181,003)
Net cash (used in)/provided by financing activities		38,169	3,361,236
Net increase/ (decrease) in cash and cash equivalents		(1,573,140)	3,802,706
Cash and cash equivalents at beginning of period		5,772,287	232,225
Foreign exchange movement in cash		(239,930)	43,176
Cash and cash equivalents at end of period	4	3,959,217	4,078,107

¹Included in the total is an amount of \$608,028 which relates to the sale of digital assets received from customers for services rendered.

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Group	Contributed Equity \$USD	Reserves \$USD	Accumulated Losses \$USD	Total \$USD	Non-controlling interest \$USD	Total \$USD
Balance at 1 July 2018	30,431,588	832,033	(20,959,347)	10,304,274	514,599	10,818,873
Profit/(Loss) for the year	-		(3,928,366)	(3,928,366)	(249,665)	(4,178,031)
Other comprehensive income	-	35,437	-	35,437	(25,900)	9,537
Total comprehensive income for the period	-	35,437	(3,928,366)	(3,892,929)	(275,565)	(4,168,494)
Shares issued during the period	393,206	-	-	393,206		393,206
Units issued during the period	-	-	-	-	144,756	144,756
Units redeemed during the period	-	-	-	-	(100,377)	(100,377)
Share issue costs	(7,730)	-	-	(7,730)	-	(7,730)
Equity adjustment on change in ownership in NCI	-	-	-	-	(35,534)	(35,535)
Share based payment – Performance Rights		10,104	-	10,104	-	10,104
Share based payment – Employee incentives	300,606	54,550		355,156	-	355,156
Share based payments – Options issued to Directors	-	296,635	-	296,635	-	296,635
Balance at 31 December 2018	31,117,670	1,228,759	(24,887,713)	7,458,716	247,877	7,706,593

The accompanying notes form part of these financial statement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT...)

Consolidated Group	Contributed Equity \$USD	Reserves (Option Premium & Share Based Payment) \$USD	Accumulated Losses \$USD	Total \$USD
Balance at 1 July 2017	22,653,332	396,194	(23,555,180)	(505,653)
Loss for the year	-	-	8,031,669	8,031,669
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	8,031,669	8,031,669
Shares issued during the period	7,383,877	-	-	7,383,877
Share issue costs	(376,362)	-	-	(376,362)
Equity component of convertible note	-	-	-	78,465
Early conversion of convertible note	21,398	-	-	21,398
Share options issued	-	414,506	-	414,506
Share options and performance rights lapsed	375,754	(375,754)	-	-
Balance at 31 December 2017	30,057,999	513,411	(15,523,511)	15,047,899

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR END 31 DECEMBER 2018

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half year financial report is a general-purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent financial report which can be located [here](#).

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost except for the revaluation of certain current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. The half year financial report is presented in US dollars unless stated otherwise.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those disclosed in the Group's Annual Report for the Financial Year Ended 30 June 2018 with the exception of the items noted below.

- Financial instruments; and
- Revenue recognition.

Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. In adopting AASB 9, none of the recognition and measurement requirements have impacted the Group's opening retained earnings or balances and transactions presented as at 30 June 2018 or in the half-year comparative period ended 31 December 2017.

However, in adopting AASB 9 Financial Instruments, the Group's policies have changed to be brought in-line with that of the requirements of the standards. The following policies are therefore adopted and implemented for these interim financial statements:

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR END 31 DECEMBER 2018

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- (a) financial assets at amortised cost;
- (b) financial assets at fair value through profit or loss (FVPL);
- (c) debt instruments at fair value through other comprehensive income (FVOCI); and
- (d) equity instruments at fair value through other comprehensive income (FVOCI).

Classifications are determined by both:

- The entity's business model for managing the financial asset; and
- The contractual cash flow characteristics of the financial assets.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

(a) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

(b) Financial assets at fair value through profit or loss (FVPL)

Financial assets that are held within a business model other than "hold to collect" or "hold to collect and sell" are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

(c) Debt instruments at fair value through other comprehensive income (Debt FVOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at FVOCI.

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset. This category includes bonds that were previously classified as 'available-for-sale' under AASB 139.

(d) Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under this category, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend income is taken to profit or loss unless the dividend clearly represents return of capital.

Impairment of financial assets

AASB 9's new impairment model use more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. The Group allows 1% for amounts that are 30 to 60 days past due, 1.5% for amounts that are between 60 and 90 days past due and impair any amounts that are more than 90 days past due.

All financial assets, except for those at fair value through profit or loss (FVPL) and equity investments at fair value through other comprehensive income (equity FVOCI), are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets at fair value through other comprehensive income

The Group recognises 12 months expected credit losses for financial assets at FVOCI. As most of these instruments have a high credit rating, the likelihood of default is deemed small. However, at each reporting date the Group assesses whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, the Group relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Group only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Group would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

In addition, the Group considers other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrowers operating results.

Should any of these indicators imply a significant increase in the instrument's credit risk, the Group recognises for this instrument or class of instruments the lifetime expected credit losses.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR END 31 DECEMBER 2018

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Revenue Recognition

From 1 July 2018, the period the Group has adopted the new standard for revenue recognition AASB 15: Revenue from contracts with customers, replacing AASB 118: Revenue. The new standard seeks to better align revenue recognition practices with benefits received by customers. Under the new model the standard applies a 5-step process:

1. Identify contract with customer;
2. Identify separate performance obligations;
3. Determine transaction price;
4. Allocate transaction price;
5. Recognise revenue when obligation satisfied;

New policy post 1 July 2018

The Group provides consulting services for its customers, assisting in the customers' sale of its digital assets, with the sale being conducted as a token sale or pre token sale. In either case, these services are rendered until the close of the sale. For the provisioning of its consulting services, the Group is remunerated by its customers through the distribution of cash, the customers' digital asset, other digital assets, or a combination of these sources.

Performance Obligations

The Group recognises token sale consulting revenue as a point in time obligation when its services have been fully rendered under contract and the Group no longer has any continuing involvement in the sale of digital assets by its customers and the consideration becomes payables. If the Group is entitled to consideration on a pro rata basis or for works complete, then the Group shall recognise revenue over time by reference to the work completed.

The Group recognises revenue from fund raising at the time the customer receives the benefits of the fund raising. Depending on the nature of the individual agreement with the customer, this may be through out the duration of the token sale or at the completion of the token sale and funds are received by the customer.

Transaction Price

Where the contract provides for payment in the customers digital assets, the digital asset's fair value is determined:

- by referencing publicly available pricing data from digital asset exchanges; or
- for those digital assets not yet listed on exchanges, by referencing the results of the ICO or Pre-ICO (i.e. the unit price of a digital asset can be measured by dividing the dollar amounts raised in the ICO by the number of units issued in the ICO).

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR END 31 DECEMBER 2018

The Group measures its ICO consulting revenue at the fair value of the consideration. Where digital assets are received, the fair value is determined with reference to the price of the digital asset on the date at which the digital asset is transferred to the Group's wallet or exchange account.

Significant Judgements

In applying the new standard, Management note that significant judgements may be required to be applied for:

- Performance obligation – Due to the complex nature of contracts and contract arrangement Management note judgement is required when assessing separate performance obligations and their nature (point in time vs over time);
- Transaction price and fair value of consideration – Due to the nature of the services provide by the Group and the unique market (cryptocurrency) that it operates in, judgement is involved from time to time for assessing the transaction price and fair of consideration when there is not an agreed fair value or the tokens are not listed on an exchange at the time they are generated.

Impact on opening balances

Previously, the Group measured ICO revenue including the receipt of digital assets at the fair value of consideration received. Furthermore, Management only identified one engagement which has spanned across the financial year ended 30 June 2018 into the financial year ending 30 June 2019. Under the new standard, Management have assessed the performance obligations within the contract and have determined the revenue shall be recorded at the point in time the obligation is satisfied (which occurred during the period ended 31 December 2018).

Given the above, Management have deemed no adjustments to the prior period balances are required.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR END 31 DECEMBER 2018

2. SEGMENT INFORMATION

Segment reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Based on the information used for internal reporting purposes by the Chief Operating Decision Maker (CODM), being the Board which makes strategic decisions, at 31 December 2018 the group operated three segments. The Group does report media and marketing as a segment as the Group's interest in these activities is via a joint venture as disclosed in Note 7.

Segment description



TOKEN ADVISORY

The Group provides advisory services specialising in three main categories; technical due diligence, marketing and promotion, and introductions to DigitalX's network.



FUNDS UNDER MANAGEMENT (FUM)

The FUM division was setup in 2018 to give high net worth and institutional investors access to a portfolio of cryptoassets. DigitalX's first fund invests predominantly in the leading cryptocurrencies, with a smaller allocation towards special trading opportunities including ICOs.



TECHNOLOGY

The Group has previously been engaged in the development of a mobile application remittance software, "AirPocket". The development activities are part of an internal project, with costs incurred both by an internal software development team and through the outsourcing of development activities to external contractors.



UNALLOCATED

Amounts disclosed in the unallocated segment primarily relates to Group-level functions including governance, finance, legal, risk management and company secretarial.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR END 31 DECEMBER 2018

	STO & ICO ADVISORY		FUNDS UNDER MANAGEMENT ²		TECHNOLOGY		UNALLOCATED		TOTAL	
	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended
Segment reporting (\$USD)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Results										
Segment result	755,229	8,718,598	9,726	-	-	(87,502)	-	(640,175)	764,955	7,990,921
Profit/Loss before income tax	471,342	8,718,598	(336,776)	-	(65,784)	(87,502)	(4,228,600)	(640,175)	(4,159,818)	7,990,921
Income tax expense	-	-	-	-	-	-	-	-	-	-
Profit /(loss) after income tax from continuing operations	471,342	8,718,598	(336,776)	-	(65,784)	(87,502)	(4,228,600)	(640,175)	(4,159,818)	7,990,921
Profit/(Loss) from discontinued operations	-	-	-	-	-	-	-	-	-	40,748
Profit/(Loss) attributable to members of the parent entity	471,342	8,718,598	(336,776)	-	(65,784)	(87,502)	(4,228,600)	(640,175)	(4,159,818)	8,031,669
Other										
Equity accounted share of profit from joint venture	-	-	-	-	-	-	-	-	(18,213)	-
Profit/(loss) after income tax									(4,178,031)	8,031,669
Reconciliation of underlying EBITDA										
Interest									69,833	15,621
Taxation									-	-
Depreciation									18,662	3,082
Amortisation									-	-
EBITDA									(4,089,537)	8,050,372

¹Revenue earned from external customers by geography and major customer information is not able to be disclosed as the information is not available to the Group.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR END 31 DECEMBER 2018

	STO & ICO ADVISORY		FUNDS UNDER MANAGEMENT ²		TECHNOLOGY		UNALLOCATED		TOTAL	
Segment reporting (\$USD)	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
Assets										
Segment assets	777,750	965,113	-	-	-	49,519	7,268,877	10,660,383	8,046,627	11,675,015
Total assets	777,750	965,113	-	-	-	49,519	7,268,877	10,660,383	8,046,627	11,675,015
Liabilities										
Segment liabilities	1,049	23,136	-	24,666	-	-	338,985	808,399	340,034	856,141
Total liabilities	1,049	23,136	-	24,666	-	-	338,985	808,399	340,034	856,141

² For the purpose of segment reporting the Funds Under Management segment does not include the operating results, segment assets or segment liabilities of the DigitalX Fund as CODM reviews the fund on a fair value basis of the Group's interest in the fund as disclosed in Note 11.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR END 31 DECEMBER 2018

3. EARNINGS PER SHARE (EPS)

	Period ended 31 December 2018 \$USD	Period ended 31 December 2017 \$USD
Basic earnings/(loss) per share (cents)		
From continuing operations	(0.78)	2.24
From discontinued operations	-	0.01
Total	(0.78)	2.25
Diluted earnings/(loss) per share (cents)		
From continuing operations	¹ (0.78)	2.23
From discontinued operations	-	0.01
Total	(0.78)	2.24

The earnings/(loss) used in the calculation of basic and diluted loss per share are as follows:

From continued operations	(3,928,366)
From discontinued operations	-

Weighted average number of ordinary shares on issue during the period used in the calculation of basic EPS

Adjustments for calculation of diluted EPS

Options	64,471,953
Performance rights	9,000,000
Convertible notes	-

Weighted average number of ordinary shares on issue during the period used in the calculation of diluted EPS

575,040,838

¹ Potential ordinary shares in the form of share options and rights are not considered to be dilutive. As the Group made a loss for the prior period, diluted earnings per share is the same as basic earnings per share for that period.

4. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Period ended 31 December 2018 \$USD	Period ended 30 June 2018 \$USD
Cash at bank	2,195,873	5,772,211
Cash deposits at call ¹	1,763,343	76
Total cash and cash equivalents	3,959,216	5,772,287

¹Cash deposits at call include cash balances on exchanges and deposits at call with financial institutions.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR END 31 DECEMBER 2018

5. CURRENT ASSETS – TRADE & OTHER RECEIVABLES

	Period ended 31 December 2018 \$USD	Period ended 30 June 2018 \$USD
Trade receivables (gross) ¹	855,171	1,037,624
Allowance for doubtful accounts	-	-
Trade receivables - net	855,171	1,037,624
Other receivables		
Statutory tax receivable	44,968	86,972
Loan to a related party	5,932	5,932
Other	140,026	165,316
Total trade and other receivables	1,046,097	1,295,844

¹At 31 December 2018, the Group carries an amount receivable of \$770,000 relating to services provided to its customer, MiCai Incorporated, recorded initially in the previous financial year. The balance is aged beyond normal payment terms of the Group. The amount is to be satisfied by receipt of digital assets (tokens) upon the customer completing its token generation event (TGE), which is expected to occur before the end of the financial year ending 30 June 2019. Management has made judgments around recoverability of the receivable based on its understanding of the progress of the customer towards its TGE, ascertained predominantly through communication between itself and the customer as well as from the customer to its investors. Management expects the consideration to be a security token offering, which differs from the original offering of the customer but expect that the value of the security tokens received would be equivalent to the original offering recorded as receivable.

Management notes measurement uncertainty with respect to the value of the receivable and that potential volatility around the timing and form of the TGE may result in the future carrying amount of the receivable materially changing. Further, the digital assets are susceptible to material fair value changes once the token begins trading and market participants further determine its fair value.

6. CURRENT ASSETS – DIGITAL ASSETS

	Period ended 31 December 2018 \$USD	Period ended 30 June 2018 \$USD
Bitcoin ¹	1,603,592	2,764,706
Other listed digital assets ^{1,2}	454,540	1,494,484
Unlisted digital assets ³	435,186	241,092
Total Digital Assets	2,493,318	4,500,282

Bitcoin and other listed digital assets are considered to be measured at fair value using level 1 inputs under AASB 13 as fair value is determined by reference to an active market. Included in the total above of \$435,186 above for unlisted digital assets is an amount of \$288,113 measured at fair value using level 2 inputs (directly observable references to an active market), the remainder of the total is based on level 3 unobservable market inputs.

¹Digital assets were measured at fair value using the closing price per Coin Market Cap (<https://coinmarketcap.com/>) as at 31 December 2018. Refer to Note 17 for prices at the date of this report.

²Includes all tokens that are not bitcoin that are listed on an exchange. The amount includes \$341,832 held by the DigitalX Fund.

³Includes all tokens not listed on an exchange. The amount includes \$147,072 held by the DigitalX Fund.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR END 31 DECEMBER 2018

7. INVESTMENTS

	Period ended 31 December 2018 \$USD	Period ended 30 June 2018 \$USD
Equity accounted investment in joint venture – Coincast ^B	36,545	56,581
Investment in DigitalX Fund ^C	-	-
Convertible note receivable ^A	184,135	-
	220,680	56,581

A. Investment in YPB Systems Ltd

During the period the Group invested \$AUD255,000 into a convertible note with YPB Systems Ltd, a company listed on the ASX. The note has an interest rate of 10% per annum and is convertible at DigitalX's option. Due to the terms and conditions of the note and the Group considers fair value, using level 2 inputs, to approximate carrying value.

B. Investment in Digital Multiplier Pty Ltd ("Coincast")

During the prior period the Group entered into a 50:50 joint venture with Multiplier Pty Ltd by way of a \$USD19,437 (\$AUD \$25,000) investment to launch a new crypto business news website and online cryptocurrency education platform and television show. For the period ended 31 December 2018 the joint venture generated a loss of \$USD 36,425.

	\$USD
Initial investment	19,437
DigitalX share of profit for 30 June 2018 (50%)	37,144
DigitalX share of profit for 31 Dec 2018 (50%)	(18,212)
Foreign exchange movement	(1,824)
	36,545

C. Investment in DigitalX Fund & DigitalX Funds Management

On the 26th of April 2018, the Group provided seed capital to the DigitalX Fund (a unit trust) for the purpose of investing in and generating returns digital assets. At 31 December 2018, the Group has an interest in the fund of 43% (30 June 2018: 45%), however, as DigitalX also provides fund management services for the fund it is deemed that the Group meets the definition of control under AASB10: *Consolidated Financial Statements* and as a result, the fund has been included in the Group's consolidated financial statements. The Group will continue to assess its position with respect to control of the fund at each reporting period. For the period the DigitalX Fund incurred a loss of \$USD 438,117 which is reflected in the Consolidated Statement of Comprehensive Income. The net asset value (NAV) of the Group's units in the fund at 31 December 2018 is \$AUD 0.45.

On 16th of February 2018, the Group incorporated a new subsidiary, DigitalX Funds Management Pty Ltd, to act as the fund manager for the DigitalX Fund and any future funds the Group may launch. The Group holds a 73% interest (30 June 2018: 73%) and has deemed it has control. The results for DigitalX Funds Management Pty Ltd are immaterial for the period.

D. Investment in Futuredge Capital (Formerly FutureICO)

During the period the Group announced its investment via a joint venture in the ICO platform (Futuredge). At 31 December 2018 the Group holds a 44.9% interest (30 June 2018: 0%) and has deemed it does not have control given the nature of other shareholdings and the operation of the shareholders agreement. The results for Futuredge Capital are immaterial for the period as all parties are current incurring their own costs.

E. Investment in DX Americas LLC

During the prior period the Group entered into a 50:50 joint venture with US-Investment Bank AmerX. The results for DX Americas are immaterial for the period as all parties are current incurring their own costs.

F. Other investments and entities

During the period the Group incorporated two new entities, DigitalX Asset Management Pty Ltd (a company incorporated in Australia) and DigitalX (BVI) Limited (a company incorporated in the British Virgin Isles). Both entities were incorporated as part of the ongoing execution of the Funds Under Management strategy noted in the review of operations. At 31 December 2018, the amounts in both entities are immaterial.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR END 31 DECEMBER 2018

8. PROPERTY, PLANT AND EQUIPMENT – COMPUTER EQUIPMENT

	Period ended 31 December 2018 \$USD	Period ended 30 June 2018 \$USD
Cost	361,268	15,922
Accumulated depreciation	(33,952)	(15,420)
Net Carrying amount	327,316	502
<i>Reconciliation</i>		
Carrying amount at beginning of period	502	10,832
Additions ¹	345,476	1,965
Disposals	-	-
Depreciation charge for the period	(18,662)	(12,295)
Net carrying amount at end of period	327,316	502

¹ Majority of additions relates to the construction of the Blockchain Centre Perth as noted in the operating review.

9. NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Period ended 31 December 2018 \$USD	Period ended 30 June 2018 \$USD
<i>Intellectual property</i>		
Cost	2,016,188	2,016,188
Accumulated amortisation	-	-
Provision for Impairment ²	(2,016,188)	(1,966,669)
Net Carrying amount	-	49,519
<i>Reconciliation</i>		
Carrying amount at beginning of period	49,519	49,519
Additions	-	-
Write down of Intangible Assets	-	-
Provision of impairment of Intangible Assets	(49,519)	-
Net carrying amount at end of period¹	-	49,519

¹ Net of accumulated amortisation and provision for impairment.

² The Group has raised a \$USD2,016,187 impairment provision against the costs capitalised for its AirPocket intangible asset. AirPocket's gross capitalised cost totals \$USD2,016,187. This provision has been recorded in the current period as a result of a lack of historical data with respect to the estimates used in determining the fair value of AirPocket. The provision is to be reassessed at the next reporting date with anticipation that more information will be available to assess the recoverable amount of the asset.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR END 31 DECEMBER 2018

10. CURRENT LIABILITIES – TRADE & OTHER PAYABLES

	Period ended 31 December 2018 \$USD	Period ended 30 June 2018 \$USD
Trade payables	203,012	377,682
Accrued expenses	120,556	187,768
PAYG withholding payable	16,466	9,244
	340,034	574,694

11. INTEREST BEARING LIABILITIES & DERIVATIVES

	Period ended 31 December 2018 \$USD	Period ended 30 June 2018 \$USD
Convertible Notes – Debt-Liability Component	-	281,446
Convertible Loan	-	-
	-	281,446
Convertible Notes – Derivative Liability Component	-	-
Net Carrying amount	-	281,446

Reconciliation

Carrying amount at beginning of period	281,446	535,198
Convertible note – debt liability component	-	360,459
Convertible note – transaction costs	-	(360,459)
Convertible note – derivative liability component	-	-
Fair value adjustment of derivative liability component	-	-
Amortisation of debt liability component	69,833	294,976
Convertible loan	-	-
Conversion of loans & notes ¹	(351,279)	(548,728)
Carrying amount at end of period	-	281,446

¹ All outstanding convertible notes were converted, and 16,296,295 shares were issued on 18th of September, 2018.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR END 31 DECEMBER 2018

12. CONTRIBUTED EQUITY

(a) Issued and paid up Capital

	Period ended 31 December 2018 \$USD	Period ended 30 June 2018 \$USD
Fully paid ordinary shares – 510,789,343 (30 June 2018: 486,865,628)	31,117,670	30,431,588
	31,117,670	30,431,588

(b) Movement in Ordinary Share Capital

Date	Details ¹	Number of Shares	Issue Price A\$	\$USD ²
30-Jun-18	Closing Balance	486,865,628		30,431,588
5-Jul-18	Vesting of Performance Rights	1,000,000	-	-
10-Jul-18	Share issue costs	-	-	(1,426)
7-Aug-18	Issue of Shares on exercise of options	3,086,420	0.0324	73,757
8-Aug-18	Share issue costs	-	-	(1,397)
18-Sep-18	Issue of shares on exercise of convertible notes	16,296,295	0.027	317,108
18-Sep-18	Issue of shares to employees	3,441,000	0.12	300,606
20-Sep-18	Share issue costs	-	-	(3,571)
8-Oct-18	Issue of Shares on exercise of options	100,000	0.0324	2,341
10-Oct-18	Share issue costs	-	-	(1,615)
31-Dec-18	Closing Balance	510,789,343		31,117,670

¹ Refer to the corresponding Appendix 3B for full details of each issue.

² Based on AUD/USD as at the date of transaction.

13. RESERVES

	Period ended 31 December 2018 \$USD	Period ended 31 December 2017 \$USD
Option premium and share-based payment reserve	1,146,529	785,240
Convertible Note Reserve	62,680	62,280
Foreign Exchange Reserve	19,550	(15,887)
	1,228,759	832,033

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR END 31 DECEMBER 2018

Valuation of options and performance rights

The fair value of the share options at grant date are determined using a Black Scholesbinomial option pricing method that takes into account the exercise price, the term of the option, the probability of exercise, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The following tables list the inputs to the model used for valuation of the options:

Options issued to Directors

Item	Tranche 1	Tranche 2	Tranche 3
Volatility (%)	134.81%	134.81%	134.81%
Risk-free interest rate (%) – range	2.33%	2.33%	2.33%
Expected life of option (years)	5	5	5
Exercise price per terms & conditions	\$0.22	\$0.25	\$0.30
Underlying security spot price	\$0.06	\$0.06	\$0.06
Valuation date	22 Nov 2018	22 Nov 2018	22 Nov 2018
Expiry date	10 Dec 2023	10 Dec 2023	10 Dec 2023
Valuation per option	\$0.046	\$0.046	\$0.045

Valuation of performance rights

The fair value of performance rights with market-based conditions at grant date are determined using a Monte-Carlo simulation method that takes into account the market conditions, the term of the vesting period, the share price at grant date and expected volatility of the underlying share across a number of simulations.

Item	Tranche 2	Tranche 3
Market based condition – Share price target over 5 days	\$0.25	\$0.30
Volatility (%)	134.81%	134.81%
Expected vesting period	5	5
Underlying security spot price	\$0.06	\$0.06
Valuation date	22 Nov 2018	22 Nov 2018
Expiry date	10 Dec 2023	10 Dec 2023
Valuation per right	\$0.04	\$0.04

Performance rights with non-market conditions are measured by reference to the share price at grant date \$0.06 and then adjusted for the probability of the number of instruments expected to vest.

14. FAIR VALUE

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value.

15. COMMITMENTS & CONTINGENCIES

Commitments of the Group

During the period the Group entered into a 5-year lease for premises at 66 Kings Park Road, West Perth for a total commitment of \$551,001 after incentives received. The total commitment due within the next 12 months is \$55,670 with the remainder of years 2 to 5 of the term. At 30 June 2018 there were no commitments.

Guarantees entered into by the Group

During the period the Group entered into two guarantees totalling \$68,503 in respect of lease premises. There were no guarantees entered into by the Group as at 31 December 2018 (2018: Nil).

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR END 31 DECEMBER 2018

Contingent Liabilities of the Group

On 28 September 2018 the Company announced that it had been served with an Originating Application and Statement of Claim in the Federal Court of Australia filed by a group of parties relating to an investment made by those parties in an initial coin offering to which the Company was an advisor. Since the initial filing of the Statement of Claim the Company and its legal advisors have continued to review and examine the claims made, the Company continues to deny any claim of wrongdoing. The Company and the claimants have agreed to a mediation process set for the 27th of March, 2019 after the date of this report. The Company still intends to vigorously defend this matter and protect the reputation of the Company.

The claim is for a combined amount of approximately US\$1,833,077 plus damages.

16. RELATED PARTIES

During the half year ended 31 December 2018, the following related party transactions occurred:

During the period, Mars Capital Australia Pty Ltd, a company controlled by Non-Executive Director Sam Lee, converted 14 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, as approved by Shareholders on 25 August 2017. On conversion of the notes a total of 5,185,185 fully paid ordinary shares were issued. Further, each convertible note converted was entitled to 200,000 incentive options, totalling 2,800,000 options, exercisable at \$AUD0.0324 and expiring 18 September 2020 were issued for nil consideration. No amounts were owed to Mars Capital Australia Pty Ltd at 31 December 2018 (30 June 2018: \$AUD5,236).

During the year, Irwin Biotech Nominees Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, converted 17 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, as approved by Shareholders on 25 August 2017. On conversion of the notes a total of 6,296,296 fully paid ordinary shares were issued. Further, each convertible note converted was entitled to 200,000 incentive options, totalling 3,400,000 options, exercisable at \$AUD0.0324 and expiring 18 September 2020 were issued for nil consideration. No amounts were owed to Irwin Biotech Nominees Pty Ltd at 31 December 2018 (30 June 2018: \$AUD6,357).

17. EVENTS AFTER THE REPORTING DATE

Date of event	Details of event																				
27 February 2019	Due to the volatile nature and the materiality of the digital assets held, we disclose the value of digital assets held by the Group, excluding the DigitalX Fund, as at the close date of the 27 February 2019.																				
	<table><tr><th>Coin</th><th>Coin Amount</th><th>\$USD Spot Price</th><th>\$USD Balance</th></tr><tr><td>Bitcoin</td><td>422.21</td><td>\$3,829</td><td>\$1,616,735</td></tr><tr><td>Altcoins (listed)</td><td></td><td></td><td>\$60,223</td></tr><tr><td>Altcoins (unlisted)</td><td></td><td></td><td>\$295,863</td></tr><tr><td>Total</td><td></td><td></td><td>\$1,972,821</td></tr></table>	Coin	Coin Amount	\$USD Spot Price	\$USD Balance	Bitcoin	422.21	\$3,829	\$1,616,735	Altcoins (listed)			\$60,223	Altcoins (unlisted)			\$295,863	Total			\$1,972,821
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Altcoins (listed)			\$60,223																		
Altcoins (unlisted)			\$295,863																		
Total			\$1,972,821																		

There were no other reportable subsequent events.

CORPORATE DIRECTORY

Directors

Peter Rubinstein
Non-Executive Chairman

Leigh Travers
*Managing Director and
Chief Executive Officer*

Sam Lee
Non-Executive Director

Company Secretary

Shannon Coates

ABN

59 009 575 035

Registered Office and Principal Place of Business

Blockchain Centre Perth
Suite 1, Level 2, 66 Kings Park Road
West Perth WA 6005
Tel: +61 (8) 9322 1587

Auditor

Grant Thornton Audit Pty Ltd
Level 43, 152-158 St Georges Terrace
PERTH WA 6000
Tel: +61 (8) 9480 2000
Fax +61 (8) 9322 7787

Stock Exchange Listing

DigitalX Limited shares are listed on the Australian Securities Exchange (ASX Code: DCC)

Share Registry

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Perth WA 6840

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