

DECEMBER 2019 QUARTERLY REPORT

DigitalX Limited (ASX:DCC, DigitalX and the Company) provides the following report on activities completed in the quarter ended 31 December 2019.

HIGHLIGHTS

- Launch of the DigitalX Bitcoin Fund
- Bullion Asset Management growth and development of the xbullion smart contract
- Reduction in forecast operating expenses

QUARTERLY OVERVIEW

A. Summary of Working Capital Position

DigitalX had cash, listed digital assets and liquid unlisted investments of over US\$7.2m in value at quarter-end.

DigitalX exchange-listed digital asset holdings and DigitalX Investment Fund units as at 31 December 2019 are tabled below:

Symbol	Name	Balance	Spot Price (\$USD)	Value (\$USD)
USD	US Dollars			\$3,688,001
BTC	Bitcoin	431	\$7,141.94 ³	\$3,077,896
-	Unlisted investments			\$425,554
Total				\$7,220,686

¹ Total excludes amounts for tokens pending listing on an exchange and/or for which an active market is not observable.

² Total excludes amounts for unlisted investments for which an active market is not observable (i.e. xbullion).

³ Since the end of the quarter, the Bitcoin price has increased to \$9,358.59 at the date of this report.

⁴ AUD/USD spot rate at the quarter ended 31 December 2019 was \$0.70208.

B. Business Activities

Overview

During the quarter, DigitalX focused on building out its pipeline of clients in the Blockchain Consulting and Development Division and launching the DigitalX Bitcoin Fund in the Asset Management division. The strategy to grow funds in Asset Management has been sharpened with a higher conviction on bitcoin and to concentrate investments solely on digital assets to leverage DigitalX's competitive advantage. While both divisions are at a relatively early stage, the Board has reduced expenses and activities outside of these to focus on delivering revenues in the Company's core activities.

Blockchain Consulting and Development

In collaboration with Ernst & Young, DigitalX continued to facilitate blockchain discovery workshops for senior business executives across a range of target industries. The workshops give practical insights into how blockchain is being adopted today, and where companies can realise its value.

The Company has been engaged in a number of follow up discussions with attendees on pilot applications for the blockchain technology opportunities identified through these sessions.



In further growing its blockchain consulting and development business, DigitalX has had preliminary discussions with strategic technology providers and consulting partners that can provide greater speed to market and additional client introduction opportunities.

Additionally, DigitalX gave a solution design presentation at the Blockchain in Oil and Gas Conference to leaders in the energy and resources sector, as it sees significant opportunities for the commercialisation of blockchain technology within the sector.

During the quarter, DigitalX completed development of the blockchain smart contract for Bullion Asset Management's (BAM) xbullion project, which successfully completed an external audit. xbullion offers digitally tradeable access and ownership of physical gold bullion that is vaulted, audited and insured. The smart contract provides minting, redemption, and fee collection functionality, while also reducing operating costs for the business by minimising transaction costs.

DigitalX is providing technical services to integrate the smart contract minting and redemption functionality to exchanges and web portals via API and is pleased to see the initial interest for access to the product. BAM is now forecasting for the launch of xbullion this quarter with the extension due to initiating further testing of independent portals and to secure additional launch partners internationally. BAM is also expecting to secure further partners from a strategic and corporate perspective and DigitalX will provide shareholders with an update on these developments given the ~17.5% equity stake announced to market on 16 April 2019.

DigitalX Asset Management

In the December 2019 quarter, the Asset Management Division was restructured to strategically focus on the Company's specialisation in blockchain technology and digital assets. The restructuring is expected to reduce operating expenses of the Company by approximately A\$1m annually.

On 13 November 2019, DigitalX announced the launch of the DigitalX Bitcoin Fund to provide exposure to bitcoin for qualified investors. The Bitcoin Fund is available through a standard unlisted fund structure to allow sophisticated investors, including family offices and high net worth individuals, a low-cost and familiar vehicle to gain exposure to this growing asset class.

The DigitalX Bitcoin Fund was seeded with 215 bitcoin from the DigitalX treasury wallet, representing half of the Company's bitcoin. An initial investor and distribution partner roadshow was completed at the end of November in Sydney, Melbourne and Perth to present the fund opportunity and gain market feedback. While the Bitcoin Fund currently has a small number of units outside of DigitalX's holding, initial feedback to secure wealth management platform listings has been acted upon and the business is in discussions with a number of prominent platforms in the sector. Growth in the Bitcoin Fund was delayed while the Company completed the finalisation of systems for the fund and also by the Christmas/New Year holiday period.

In addition to the direct wealth management platforms, DigitalX is finalising discussions with a distribution partner based out of Sydney. DigitalX expects to grow assets under management and continues to present research on why digital assets are a compelling investment proposition over the next decade due to:

- 1. Financial and geopolitical tensions escalating (trade wars, currency wars, non-traditional monetary policies).*
- 2. The institutionalisation of the digital asset market infrastructure accommodating larger more traditional capital managers to safely enter the sector.*
- 3. Structural demographic changes that see millennials entering their investing life cycle and soon start to receive a multi-trillion-dollar wealth transfer from older generations.*

C. Outlook

The Company opens 2020 with a clear focus on commercialising blockchain technology and growing funds under management in the digital asset investment products. DigitalX now has a significantly reduced expenditure profile in which to operate and a market where the technology is starting to move from experimentation into production.

DigitalX looks forward to updating its shareholders with an update on the launch of xbullion this quarter amidst a strong backdrop for the precious metal and as a positive example of the use of digital technology for physical asset trade and security.

The Asset Management division has a further roadshow scheduled for late February and interested qualified investors are encouraged to review the fund website at www.digitalx.fund for more details. The opening of the Bitcoin Fund will provide DigitalX investors with further exposure to upside in the price of bitcoin. DigitalX notes the supply dynamics in May of this year will see the daily inflation rate of bitcoin drop from 3.7% to 1.8%¹, an effective halving of daily supply hitting the market which is currently around US\$15m. The last two miner supply halving events were in 2012 and 2016.

Table 2. Yearly gain to high price from the prior year's average price

Year	Low	Simple Average	High	Ave. Price (prior year) to High (current year) gain
2012*	\$4	\$9	\$14	56%
2013	\$65	\$654	\$1,242	13700%
2014	\$200	\$600	\$1,000	53%
2015	\$185	\$345	\$504	-16%
2016*	\$365	\$558	\$750	118%
2017	\$780	\$10,336	\$19,891	3468%
2018	\$3,200	\$10,189	\$17,178	66%
2019	\$3,405	\$8,637	\$13,868	36%
2020*	\$6,854	\$8,024	\$9,194	6%

1. Source: DigitalX internal researchⁱⁱ

2. *Denotes year of miner supply halving

3. Disclaimer: Prior performance is not a reliable indicator of future results*

Corporate Overview

On 21 November 2019, the Company held its Annual General Meeting at the Blockchain Centre in Perth. The Board was pleased to see the engagement from investors as we provided an update on the 2019 financial year and the strategy and plans for the 2020 financial year.

During the quarter, 9,411,764 shares were issued under the agreement with Bullion Asset Management Pte Ltd as announced on 16 April 2019.



- Ends -

Authorised by the Board of DigitalX Limited.

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About DigitalX

DigitalX is a technology and investment company specialising in the commercialisation of blockchain and distributed ledger technology. The Company offers blockchain consulting and development services for businesses seeking to leverage the benefits of digital technology. DigitalX offers low-cost, traditional asset management products for qualified investors to gain exposure to the growing alternative asset class of digital assets, including bitcoin. Digital assets such as bitcoin have been one of the strongest performing assets and are uniquely positioned for growth in the years to come.

www.digitalx.com

ⁱ bitcoinblockhalf.com

ⁱⁱ <https://beincrypto.com/bitcoin-recorded-higher-lows-every-year-since-launch/>

+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

DigitalX Limited

ABN

59 009 575 035

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	38	56
1.2	Payments for		
	(a) research and development	-	-
	(b) advertising and marketing	(10)	(45)
	(c) leased assets	-	-
	(d) staff costs	(297)	(593)
	(e) administration and corporate costs	(382)	(711)
	(f) professional fees	(70)	(106)
	(g) settlement costs ¹	(104)	(104)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	10
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	12	12
1.9	Net cash from / (used in) operating activities	(718)	(763)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(5)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities		
	(a) loan to related party	-	(4)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(9)	(9)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(1)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Share Buy-back)	-	-
3.10	Net cash from / (used in) financing activities	-	(1)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,280	5,210
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(718)	(763)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(9)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(1)

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
4.5	Effect of movement in exchange rates on cash held	126	(157)
4.6	Cash and cash equivalents at end of quarter²	3,688	4,280

Note 1: Relates to the second tranche of the settlement payment as disclosed in the [announcement](#) made to the market on 7 May 2019.

Note 2: At the date of this report, the Group holds USD\$3,503,450 in Bitcoin, listed digital assets and other unlisted investments which are considered to be highly liquid and can be converted into cash when required.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1	Bank balances	3,688	4,280
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,688	4,280

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter US\$'000
56
-

Salary, Director fees

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter US\$'000
-
-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>		Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
	-		

9.	Estimated cash outflows for next quarter	\$US'000
9.1	Research and development	-
9.2	Product manufacturing and operating costs	-
9.3	Advertising and marketing	(44)
9.4	Leased assets	-
9.5	Staff costs	(278)
9.6	Administration and corporate costs	(234)
9.7	Other (provide details if material)	
	(a) professional fees	(99)
	(b) Interest on Interest bearing liabilities	-
9.8	Total estimated cash outflows	(655)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director)

Date: 30 January 2020

Print name: Leigh Travers

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.