

APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Authorised for release by the Board of DigitalX Ltd on 28 February 2020.

A. Reporting Period

Financial period 31 December 2019.

B. Previous Corresponding Period (PCP)

The previous corresponding period for the Group is the period end 31 December 2018.

C. Results

	% change from financial period ending 31 Dec 2018	\$USD
Revenue from ordinary activities	↓ 75%	193,291
Loss from ordinary activities after tax attributable to members	↑ 15%	(\$4,508,111)
Loss for the period attributable to members	↑ 15%	(\$4,508,111)

D. Net tangible asset per ordinary share

2019 \$USD/share	2018 \$USD/share
0.013	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

Not applicable.

H. Associates and joint venture entities

- Digital Multiplier Pty Ltd
- DigitalX Fund Unit Trust
- Futuredge Capital Pty Ltd
- DX Americas LLC

The impact of associates and joint ventures is disclosed in Note D3.



DIGITALX LIMITED

INTERIM FINANCIAL REPORT
& APPENDIX 4D

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

CONTENTS

DIRECTORS' REPORT (INCLUDING REVIEW OF OPERATIONS)	2
AUDITORS' INDEPENDENCE DECLARATION	7
INDEPENDENT AUDITOR'S REVIEW REPORT	8
CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME	10
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	12
CONSOLIDATED STATEMENT OF CASHFLOWS	13
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	14
NOTES TO THE FINANCIAL STATEMENTS	16
BASIS FOR PREPARATION	17
KEY OPERATING & FINANCIAL RESULTS	18
CAPITAL	25
FINANCIAL POSITION	25
EQUITY	32
OTHER DISCLOSURES	36
CORPORATE DIRECTORY	38

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 half-year ended 31 December 2019. Information contained within this report and the financial report is presented in United States dollars (\$USD).

Directors & Company Secretary

The following persons were Directors of DigitalX Limited during the period and up to the date of this report:

Toby Hicks, Non-Executive Chairman (appointed 11 July 2019)
 Leigh Travers, Executive Director
 Peter Rubinstein, Non-Executive Director
 Sam Lee, Non-Executive Director (resigned 8 July 2019)
 Stephen Roberts, Non-Executive Director (resigned 4 July 2019)
 Shannon Coates, Company Secretary

OPERATING RESULTS & REVIEW OF OPERATIONS

Operating results

For the period ended 31 December 2019, the consolidated loss attributable to members of the Group after providing for income tax amounted to \$USD4,508,111 (2018: loss of \$USD3,924,366) and net assets of \$USD8,497,514 (30 June 2019: net assets of \$12,156,491).

DigitalX had a challenging first half of the financial year operationally with headwinds from falling digital asset prices and the winding up of its former operations in media and advisory services. To address these changes, DigitalX restructured operations to focus on executing on its strategy in the blockchain and digital asset management market. The restructure also saw the return of Mr Toby Hicks as Chairman in July 2019, who was a Director of the Company from 2016 to 2018. These changes are intended to bring a significantly reduced cost profile going forward.

The two business divisions that the Company is focussed on growing and have an operational update on below are;

- Blockchain consulting and development; and
- Asset management.

Blockchain consulting and development

DigitalX began the financial year with a goal to deliver technical solutions to the enterprise market which represented a change from its former client base in the digital asset market. With blockchain technology now being tested and proven in production environments, the Company identified that there is significant value to enterprise from the adoption and implementation of the technology.

The Company was engaged to complete a blockchain solution design project, alongside a large international consulting firm, for a government agency in the heavily regulated gaming and gambling industry. DigitalX continues to explore opportunities with this firm to provide specialised blockchain consulting services.

DigitalX has collaborated with professional service firms and has been facilitating blockchain discovery workshops for senior executives in large organisations across a range of target industries. The workshops give practical insights into how blockchain is being adopted today, and where organisations can realise its value in their business. The Company has been engaged in business development activities with this sales pipeline and continues to progress these potential projects. 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. The building of this pipeline and the growth of engagement with business about the availability and utility of blockchain are seen as key drivers for revenue growth in the future.

Showcasing our expertise and capacity to deliver project outcomes, DigitalX completed development of the blockchain smart contract for Bullion Asset Management's (BAM) xbullion project, which successfully completed an external audit. 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.

Asset Management

The Group’s asset management division, DigitalX Asset Management, offers professionally managed investment products for qualified investors that invest in the leading digital assets. Earlier in the period, the division built out a strategy and network for a potential launch in Europe and Panama but ultimately the Board resolved to focus on the significant opportunity in digital assets in the Australian market. As part of this refocus, expenses for the group are forecast to be reduced by ~USD\$0.65m per annum.

Over the period, the division operated its Digital Asset Fund, which invests in the leading digital assets. The Digital Asset Fund has gradually been increasing its weighting towards Bitcoin and has significantly reduced its weighting towards unlisted investments based on market demand.

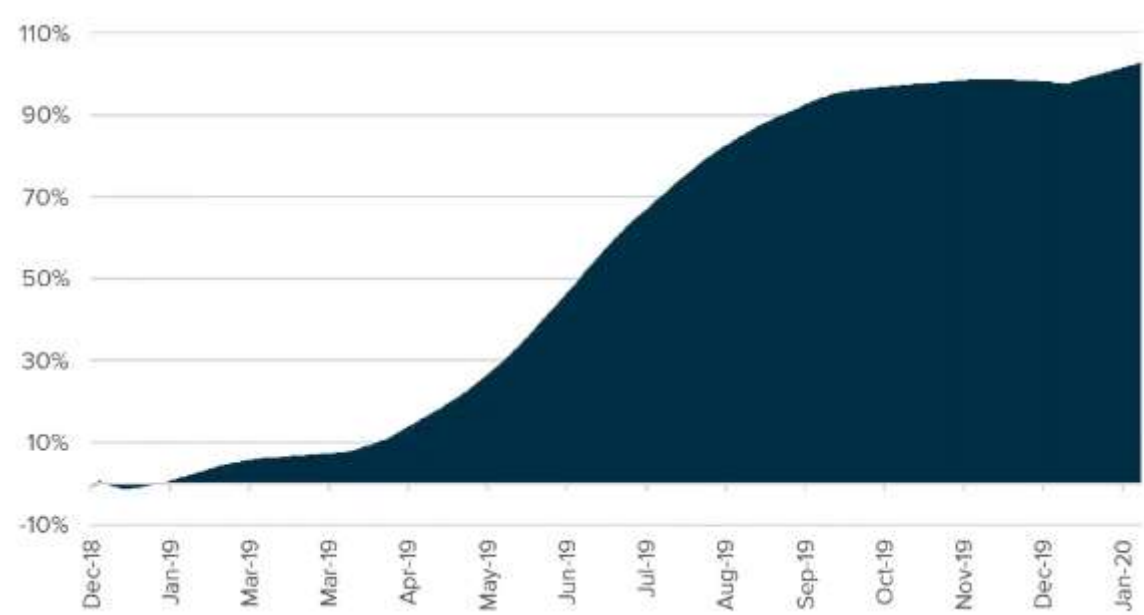
In November 2019, the Company announced the launch of its second asset management product, the DigitalX Bitcoin Fund, to provide exposure to Bitcoin for qualified investors. The Bitcoin Fund is also available through a traditional unlisted fund structure to offer qualifying investors, including family 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 Group’s existing holding post period end.

An initial investor and distribution partner roadshow was completed at the end of November 2019 in Sydney, Melbourne and Perth to present the fund opportunity and gain market feedback ahead of the official launch of the fund. The Group is continuing to build out its sales channels which includes a number of wealth management platform listings and distribution partners. The Bitcoin Fund is now open with a small number of investors outside of DigitalX’s holding and the Company is looking forward to more success in this division with a clear directive and focus on growing assets inside the two funds.

Other

DigitalX acquired a 17.5% shareholding in Bullion Asset Management (BAM), who manage xbullion. Xbullion will offer digitally tradeable access and ownership of physical gold bullion that is vaulted, audited and insured. As seen in Table 1 below, the growth in this asset backed digital asset sector of the blockchain market is extremely strong. BAM received additional capital investments which enabled the business to scale the team to include an experienced Chief Investment Officer, Director of Operations and Head of Asia and now sits poised to deliver the launch with an initial focus on Asian markets. BAM is currently reviewing Memorandum of Understandings (MoUs) with strategic partners in this region to enhance the initial launch.

Table 1. Monthly Stablecoin market capitalisation growth (%)



Source: Grayscale Investments LLC

Alongside the focus on growth in these two divisions, and BAM, the Company has a team with substantial technical, corporate, operational and compliance expertise and has access to a very strong pipeline of deal flow in the blockchain sector. The Company has also identified that a number of blockchain technology companies in the sector have been developing promising technology and that

funding for the sector is currently limited. To leverage this and the synergies between the business divisions, DigitalX continually reviews opportunities for incubation and acceleration in the sector.

As part of the Company update announced on 5 September 2019, DigitalX exited business activities with FutureEdge Capital and Coincast Media for strategic reasons. In line with this restructure of operations, Non-Executive Directors agreed to a reduction in fees and significant cost-saving measures have been implemented.

In addition to the above, the Group also announced the following significant changes and updates to the market during the period which contributed to the overall performance and position of the Group at the end of the period:

Date	Announcement	Impact ¹	Link ²
4/07/2019	Resignation of Director	Directors' Report	Announcement
8/07/2019	Resignation of Director	Directors' Report	Announcement
11/07/2019	Appointment of Non-Executive Chairman	Directors' Report	Announcement
5/09/2019	Company Update	P&L, Investments	Announcement
13/11/2019	DigitalX launches Bitcoin Fund	Investments	Announcement
15/11/2019	Issue of shares for transfer of shares in BAM	Investments, Equity	Announcement

¹ Refer to the relevant section of the Report for the impact of the change.

² Refer to ASX announcement for full details.

Post Period Activity & Future Developments

DigitalX has continued to execute on its strategy in the blockchain and digital asset sector in CY2020. While the Company acknowledges there has been several market cycles in the industry thus far, the validation for the industry continues to come and DigitalX is looking forward to utilising its expertise and knowledge in the market to drive positive results for shareholders. The Board believes that, despite the discussion on blockchain over the last few years, the development and utilisation of blockchain on a broader scale remains in the very early stages, meaning significant upside and development remains. Significant industry validation came with the announcement on 7 February 2020 by Minister Karen Andrews of the Australian National Blockchain Roadmap. The recommendation to establish a model for collaboration between industry, academia and government on progressing key blockchain use cases so that Australia can take advantage of the AUD\$3 trillion in business benefits from adoption of blockchain technology is a positive one for the Company and the industry.

From 1 January 2020, DigitalX also early-adopted the fourth edition of the ASX Corporate Governance Principles. As part of this adoption, the Company adopted the following values:

Vision

To create the financial and technical solutions for achieving global consensus.

Mission

We achieve consensus by:

- Focusing on the markets we know
- Building a deep understanding of our customer
- Challenging the status quo by asking why
- Driving efficiency by building trust
- Decentralising global business
- Connecting the best people

Values

Our culture is built on blocks.



Support the network

We work together to execute on our vision.



Build trust with transparency

We acknowledge the elephants in the room.



Never stop developing

We constantly seek out new knowledge to improve.



Seek consensus

We hash it out and proceed with a shared understanding.



Execute your part

We own our domain and deliver to a high level.



Solving hard problems is worth the effort

We thrive when faced with a tough challenge.

The Company also adopted a new Whistleblower policy and in February 2020, undertook a training session for all staff on the requirements and obligations under the whistleblowing policy.

Subsequent events

No other matter or circumstance has arisen since 31 December 2019 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 H3.

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 7.

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

On behalf of the Board of Directors.

Leigh Travers

Executive Director

Perth, 28 February 2020

DIRECTORS' 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 10 to 37 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 2019 and of its performance for the half-year then ended; and
 - (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (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 2019.

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

On behalf of the Board of Directors.



Leigh Travers
Executive Director
Perth, 28 February 2020

AUDITOR'S' INDEPENDENCE DECLARATION



Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF DIGITALX LIMITED

As lead auditor for the review of DigitalX Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of DigitalX Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'P. Murdoch', with a long horizontal line extending to the right.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2020

AUDITORS' REVIEW REPORT



Tel: +61 8 6382 4600
 Fax: +61 8 6382 4601
 www.bdo.com.au

38 Station Street
 Subiaco, WA 6008
 PO Box 700 West Perth WA 6872
 Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of DigitalX Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of DigitalX Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 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 2019 and its financial 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 the Group, 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.

AUDITORS' REVIEW REPORT



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO


Phillip Murdoch

Director

Perth, 28 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	Note	Half-year ended 31 December 2019 \$USD	Half-year ended 31 December 2018 \$USD
Revenue from operations		193,291	764,955
Net gain/loss on digital assets	C3	(3,447,693)	(2,180,470)
Other Income		9,423	7,981
Cost of sales		(95,928)	-
Professional and consultancy fees		(144,084)	(240,631)
Corporate expenses		(16,289)	(100,451)
Advertising, media and investor relations		(40,479)	(157,898)
Employee benefit expenses		(746,505)	(813,196)
Share based payments – employee benefits		(70,825)	(661,895)
Depreciation		(85,485)	(18,662)
Intangible asset impairment	E3	-	(50,000)
Realised and unrealised foreign exchange losses		(11,619)	(218,902)
Impairment/loss on non-financial assets		-	-
Fair value movement of financial assets		(6,121)	(43,996)
Interest expense		(20,036)	(69,833)
Other expenses		(318,187)	(376,820)
Equity accounted share of profit/(loss) from joint venture	D3	(16,260)	(18,213)
Loss before tax		(4,816,797)	(4,178,031)
Income tax benefit/(expense)		-	-
Loss after tax for the half-year		(4,816,797)	(4,178,031)
Loss attributable to:			
Members of the parent entity		(4,508,111)	(3,928,366)
Non-controlling interests		(308,686)	(246,665)
		(4,816,797)	(4,178,031)

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

	Note	Half-year ended 31 December 2019 \$USD	Half-year ended 31 December 2018 \$USD
Loss for the period		(4,816,797)	(4,178,031)
Other comprehensive income for the period			
Items that may be reclassified to profit or loss			
Exchange differences on translation of operations		19,096	9,537
Other comprehensive income for the period, net of tax		19,096	9,537
Total comprehensive income for the period		(4,797,701)	(4,168,494)
Total comprehensive loss attributable to:			
Members of the parent entity		(4,500,047)	(3,892,929)
Non-controlling interests		(297,654)	(275,565)
		(4,797,701)	(4,168,494)
Loss per share attributable to the ordinary equity holders of the parent entity:			
Basic loss per share	C4	(0.008)	(0.008)
Diluted loss per share		(0.008)	(0.008)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2019 \$USD	30 June 2019 \$USD
CURRENT ASSETS			
Cash and cash equivalents	D1	3,620,138	5,160,689
Trade and other receivables	C3	121,803	165,477
Digital assets	D2	3,670,518	7,115,373
Other current assets		77,531	100,992
Total Current Assets		7,489,990	12,542,531
NON-CURRENT ASSETS			
Investments	D3	1,067,128	518,313
Investments – Equity accounted	D3	-	16,259
Property, plant and equipment	E1	264,483	297,490
Right to use asset	E2	340,722	-
Intangible assets	E3	-	-
Total Non-Current Assets		1,672,333	832,062
TOTAL ASSETS		9,162,323	13,374,593
CURRENT LIABILITIES			
Trade and other payables	C3	269,736	1,029,974
Contract liabilities		16,850	188,128
Lease liabilities	E2	86,229	-
Total Current Liabilities		372,815	1,218,102
NON-CURRENT LIABILITIES			
Lease liabilities	E2	291,994	-
Total Non-Current Liabilities		291,994	1,218,102
TOTAL LIABILITIES		664,809	1,218,102
NET ASSETS		8,497,514	12,156,491
EQUITY			
Contributed equity	F1	34,756,916	33,662,319
Reserves	F2	1,463,747	1,384,860
Retained earnings/(losses)		(28,018,305)	(23,483,498)
Capital & reserves attributable to owners of DigitalX		8,202,358	11,563,681
Non-controlling interests	F2	295,156	592,810
TOTAL EQUITY		8,497,514	12,156,491

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Half-year ended 31 December 2019 \$USD	Half-year ended 31 December 2018 \$USD
<i>Cash flows from operating activities</i>			
Receipts from customers		52,998	996,249
Payments to suppliers and employees		(1,500,302)	(1,787,677)
Other income		16,698	7,895
Interest paid		-	(12,000)
Income tax received/(paid)		-	14,906
Net cash used in operating activities		(1,430,606)	(780,627)
<i>Cash flows from investing activities</i>			
Acquisition of property plant and equipment		(5,856)	(342,123)
Payment for investments		-	(184,135)
Net payment for digital assets in fund		(4,326)	(304,424)
Loan to related party		(4,018)	-
Net cash used in investing activities		(14,200)	(830,682)
<i>Cash flows from financing activities</i>			
Principal elements of lease payments		(55,200)	-
Proceeds from issue of equity securities		-	76,000
Proceeds from issue of units in fund		-	53,876
Redemption of units in fund		-	(84,402)
Payments for share issue costs		(1,660)	(7,305)
Net cash used in by financing activities		(56,860)	38,169
Net increase/(decrease) in cash and cash equivalents		(1,501,666)	(1,573,140)
Cash and cash equivalents at beginning of half-year		5,160,689	5,772,287
Foreign exchange movement in cash		(38,885)	(239,930)
Cash and cash equivalents at end of half-year	D1	3,620,138	3,959,217

Non-cash investing and financing activities

In addition to the above, the Group also had the following significant non-cash investing and financing activities that impacted on the Statement of Profit and Loss and Other Comprehensive Income and the Statement of Financial Position.

- Shares issued to Bullion Asset Management – [Note F1](#).
- Shares issued on conversion of options – [Note F1](#).
- Movement in prices of digital assets – [Note D3](#).
- Adoption of new accounting standard (AASB 16) – [Note E2](#).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Group	Contributed Equity \$USD	Reserves ¹ \$USD	Retained Earnings/(Losses) \$USD	Total \$USD	Non-controlling interest \$USD	Total \$USD
Balance at 30 June 2019	33,662,319	1,384,860	(23,483,498)	11,563,681	592,810	12,156,491
Change in accounting policy ⁴	-	-	(26,696)	(26,696)	-	(26,696)
Restated balance at 1 July 2019	33,662,319	1,384,860	(23,510,194)	11,536,985	592,810	12,129,795
Loss for the half-year	-	-	(4,508,111)	(4,508,111)	(308,686)	(4,816,797)
Other comprehensive income	-	8,064	-	8,064	11,032	19,096
Total comprehensive loss for the half-year	-	8,064	(4,508,111)	(4,500,047)	(297,654)	(4,797,701)
Shares issued during the half-year ³	1,101,624	-	-	1,101,624	-	1,101,624
Units issued during the half year ²	-	-	-	-	-	-
Share issue costs	(7,027)	-	-	(7,027)	-	(7,027)
Share based payment expense	-	70,823	-	70,823	-	70,823
Balance at 31 December 2019	34,756,916	1,463,747	(28,018,305)	8,202,358	295,156	8,497,514

¹ Refer to Note F2 for reconciliation of reserve balances.

² Balance is net of issues, redemptions and change of ownership.

³ Refer to Note F1 for details of shares issued during the half- year.

⁴ Refer to Note E2 for details of change in accounting policy.

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Consolidated Group	Contributed Equity \$USD	Reserves \$USD	Retained Earnings/(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
Loss for the half-year	-	-	(3,928,336)	(3,928,336)	(249,665)	(4,178,031)
Other comprehensive income	-	35,437	-	35,437	(25,900)	9,537
Total comprehensive loss for the half-year	-	35,437	(3,928,336)	(3,892,929)	(275,565)	(4,168,494)
Shares issued during the half-year	393,206	-	-	393,206	-	393,206
Units issued during the half-year ¹	-	-	-	-	44,379	44,379
Share issue costs	(7,730)	-	-	(7,730)	-	(7,730)
Share based payment expense	300,606	361,289	-	661,895	-	661,895
Equity adjustment on change in ownership in NCI	-	-	-	-	(35,534)	(35,534)
Balance at 31 December 2018	31,117,670	1,228,759	(24,887,713)	7,458,716	247,877	7,706,593

¹ Balance is net of issues, redemptions and change of ownership.

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR END 31 DECEMBER 2019

The notes to the financial statements have been set out under the following main headings:

- A. Legend
- B. Basis for preparation (B1)
- C. Key operating & financial results (C1 to C4)
- D. Capital & risk management (D1 to D6)
- E. Financial position (E1 to E2)
- F. Equity (F1 to F2)
- G. Group structure (G1 to G3)
- H. Other disclosures (H1 to H4)

A - LEGEND

**CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in developing and applying accounting policies

The following are the critical judgements, apart from those involving estimations (see Notes below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

- Note C3 – Revenue recognition
- Note D2 – Digital assets
- Note D2 – Fair value of digital assets
- Note D3 – Consolidation of DigitalX Fund

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- Note F2 – Valuation of share-based payments

**ADDITIONAL COMMENTARY**

Additional management commentary on the item has been provided above what is required under legislation or accounting standards for stakeholders to understand the financial report.

B - BASIS FOR PREPARATION

The section below includes information regarding how the overall financial statements are prepared including the key accounting policies and accounting standard frameworks applied.

B1 - 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 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 2019 with the except of the items noted below;

- Leases – Refer to [Note E2](#) for impact and discussion.

Going concern

At the date of this report the Consolidated Entity's has a strong working capital position and its cash flow forecast indicates that it expects to be able to meet its minimum commitments and working capital requirements for the twelve-month period from the date of signing the financial report.

C - KEY OPERATING & FINANCIAL RESULTS

The section below includes information regarding how the Group performed during the financial year including segment analysis and detailed breakdowns of items in the Statement of Profit or Loss and Other Comprehensive Income.

This section includes the following disclosures:

- C1 Significant changes in the current reporting period (Page 20)
- C2 Segment Information (Page 20)
- C3 Operating Financial Information (Page 23)
- C4 Earnings per share (Page 24)

C1 SIGNIFICANT CHANGES DURING THE REPORTING PERIOD

In addition to the commentary set out in the Directors' Report, the financial position and performance of the Group was particularly affected by the following events and transactions during the half-year ended 31 December 2019.

Event	Description of impact	Impact
Change in digital asset market	Over the half-year the price of bitcoin fell by 34% from \$10,817 to a closing pricing of \$7,141 at 31 December 2019. Given the Group's bitcoin treasury holdings and the consolidation of the DigitalX Fund the results for the period were materially impacted by the decline in fair value of \$3,447,693.	Note C3 Note D2
Adoption of Leasing standard	During the half-year, the Group adopted the new leasing standard, AASB 16 Leases, from 1 July 2019. As a result there has been an increase to assets of \$340,722 and liabilities of \$378,223 at 31 December 2019. Further details on the change of policy are set out in Note E3.	Note E3
Issue of shares to Bullion Asset Management (BAM)	During the half-year, the Group issued 9,411,764 shares at \$AUD0.085 as the final tranche of the investment into Bullion Asset Management Pte Ltd (the management company of the xbullion project). As a result of the share issue the investment in BAM increased by \$544,680 with a corresponding increase in equity.	Note D3 Note F1

C2 SEGMENT INFORMATION

Segment reporting

AASB 8 requires operating segments to be identified based on 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 2019 the Group operated three segments, Blockchain consulting and development, Asset Management and Other. In the previous corresponding period (period ended 30 June 2019) the Group had three reportable segments: ICO Advisory, Funds Under Management, and Technology.

In light of the company update [announcement](#) on the 5 of September 2019, the segment names and descriptions have been updated to reflect the current operations. However, there has been no material impact on the comparatives as a result of this.

Segment description



BLOCKCHAIN CONSULTING

The Group provides consulting, technical due diligence, solution design and development to businesses by utilising distributed ledger solutions and best of blockchain technologies.



ASSET MANAGEMENT

The asset management division was setup in 2018 to give high net worth and institutional investors access to a portfolio of digital assets. DigitalX operates two funds focussed on digital assets.



OTHER

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

SEGMENT PERFORMANCE

Segment reporting (\$USD)	BLOCKCHAIN CONSULTING		ASSET MANAGEMENT ²		OTHER		TOTAL	
	Half-year ended 31 Dec 2019	Half-year ended 31 Dec 2018	Half-year ended 31 Dec 2019	Half-year ended 31 Dec 2018	Half-year ended 31 Dec 2019	Half-year ended 31 Dec 2018	Half-year ended 31 Dec 2019	Half-year ended 31 Dec 2018
Results								
Segment revenue	166,966	755,229	9,683	9,726	16,643	-	193,291	764,955
Intersegment revenue	-	-	-	-	-	-	-	-
Revenue from external customers	166,966	755,229	9,683	9,726	16,643	-	193,291	764,955
Revenue recognition timing – point in time	140,415	750,000	-	-	-	-	140,415	750,000
Revenue recognition timing – over time	26,551	5,229	9,683	9,726	16,643	-	53,228	14,955
Segment result	75,480	471,342	(308,137)	(336,776)	(4,462,359)	(4,262,202)	(4,695,016)	(4,127,636)
Income tax expense/(benefit)	-	-	-	-	-	-	-	-
Profit/(Loss) from discontinued operations	-	-	-	-	-	-	-	40,748
Segment result after tax	75,480	471,342	(308,137)	(336,776)	(4,462,359)	(4,262,202)	(4,695,016)	(4,086,888)
Reconciliation to profit/loss after tax							(4,695,016)	(4,086,888)
Equity accounted share of profit from joint venture							(16,260)	(18,213)
Interest							(20,036)	(54,268)
Depreciation							(85,485)	(18,662)
Amortisation & impairment							-	-
Taxation							-	-
Profit/(loss) after income tax							(4,816,797)	(4,178,031)

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.

² For the purpose of segment reporting the Asset 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 D3.

SEGMENT POSITION

Segment reporting (\$USD)	BLOCKCHAIN CONSULTING		ASSET MANAGEMENT		OTHER		TOTAL	
	31 December 2019	30 June 2019	31 December 2019	30 June 2019	31 December 2019	30 June 2019	31 December 2019	30 June 2019
Assets								
Segment assets	-	53,377	27,476	22,477	9,134,847	13,298,739	9,162,323	13,374,593
Total assets	-	53,377	27,476	22,477	13,298,739	13,298,739	9,162,323	13,374,593
Liabilities								
Segment liabilities	-	580	679	1,183	664,130	1,216,339	664,809	1,218,102
Total liabilities	-	580	679	1,183	664,130	1,216,339	664,809	1,218,102

C3 – OPERATING FINANCIAL INFORMATION**(A) Significant Items**

Profit/(loss) for the year for the period includes the following items that are unusual because of their size, nature of incidence:

	Half-year ended 31 December 2019 \$USD	Half-year ended 31 December 2018 \$USD
Net fair value gain/(loss) on digital assets held ¹	(3,447,693)	(2,180,470)

¹ Refer to Note C1 for commentary of digital assets for the half-year ended 31 December 2019.

(B) Receivables and Payables**Trade and other receivables**

	31 December 2019 \$USD	30 June 2019 \$USD
Trade receivables (gross)	47,740	57,012
Loss allowance	-	-
Trade receivables – Net	47,740	57,012
Other receivables		
Statutory tax receivable	-	13,621
Loan to a related party	17,167	26,099
Deposits	56,896	68,745
Total trade and other receivables	121,803	165,477

Trade and other payables

	31 December 2019 \$USD	30 June 2019 \$USD
Trade payables	79,513	242,723
Accrued expenses and other payables ¹	190,223	225,512
Share applications ²	-	561,739
Total trade and other payables	269,736	1,029,974

¹ At 30 June 2019 an amount of \$AUD150,000 is included for the second tranche of the legal settlement.

² At 30 June 2019 an amount of \$AUD800,000 was received for shares not issued. Refer to Note F1 for issue of shares in this period.

C4 - EARNINGS PER SHARE (EPS)**Earnings per share***Basic earnings per share*

Basic earnings per share is calculated by dividing the profit/(loss) after tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued or cancelled during the period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Half-year ended 31 December 2019 \$USD	Half-year ended 31 December 2018 \$USD
Basic earnings/(loss) per share (cents)		
From continuing operations	(0.008)	(0.008)
Total	(0.008)	(0.008)
Diluted earnings/(loss) per share (cents)		
From continuing operations	(0.008)	(0.008)
Total	(0.008)	(0.008)
The earnings/(loss) used in the calculation of basic and diluted loss per share are as follows:		
From continuing operations	(4,508,111)	(3,928,366)
Weighted average number of ordinary shares on issue during the period used in the calculation of basic EPS	598,620,877	501,568,885
Adjustments for calculation of diluted EPS		
Options	35,348,977	64,471,953
Performance rights	28,500,000	9,000,000
Weighted average number of ordinary shares on issue during the period used in the calculation of diluted EPS	662,469,854	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.

D - CAPITAL

The section below includes information regarding how the Group manages its capital assets including the positions at half-year end.

The section includes the following disclosures:

- D1 Cash and cash equivalents (Page 26)
- D2 Digital assets (Page 26)
- D3 Investments (Page 27)

D1 CASH AND CASH EQUIVALENTS**Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, cash held with digital asset exchanges and custodians, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Cash and cash equivalents do not include the Group's holdings of digital assets which are classified as inventory (refer to D2).

	31 December 2019 \$USD	30 June 2019 \$USD
Cash at bank	3,620,138	5,160,614
Cash deposits at call ¹	-	75
Total cash and cash equivalents	3,620,138	5,160,689

¹Cash deposits at call include cash balances on exchanges. The balance originates following a liquidation of digital assets.

D2 - DIGITAL ASSETS**Estimates & Judgements****(a) Digital assets**

Management note that the topic of digital assets and the accounting for digital assets continues to be considered by the International Accounting Standards Board (IASB) and continues to monitor new comments and interpretations released by the Board and other standard setters from around the world.

In line with this, the Group has considered its position for the half-year ending 31 December 2019 and has determined that the Group's digital assets fall into 3 categories:

- Inventory method (historical method used by the Group)
- Intangible asset method (the method noted by the IASB in its most recent deliberations)
- Financial asset method (used where the digital asset meets the criteria of a financial asset)

Management notes that under the 3 methods noted above, the treatment continues to be to measure digital assets at fair value (unless otherwise disclosed) under the respective accounting standards. This is consistent with the policy at 30 June 2019.

(b) Fair value of Digital Assets

Digital assets (including bitcoin) is measured at fair value using the quoted price in United States dollars from a number of different sources with the primary being Coin Market Cap (www.coinmarketcap.com) at closing Coordinated Universal Time. Management considers this fair value to be a Level 1 input under the AASB 13 *Fair Value Measurement* fair value hierarchy as the price on the quoted price (unadjusted) in an active market for identical assets.

Management uses a number of exchanges and custodians in order to provide the Group with appropriate size and liquidity to provide reliable evidence of fair value for the size and volume of transactions that are reasonably contemplated by the Group.

Unlisted digital assets are fair valued using a combination of Level 2 and Level 3 techniques.

	31 December 2019 \$USD	30 June 2019 \$USD
Bitcoin ¹	3,255,853	4,661,772
Other listed digital assets ^{1,2}	260,992	1,121,074
Non listed digital assets ³	153,674	1,332,527
Total Digital Assets	3,670,518	7,115,373

¹ Digital assets were measured at fair value as at 31 December 2019. Refer to Note H3 for prices at the date of this report.

² Includes all tokens that are not bitcoin that are listed on an exchange. The amount includes \$USD430,702 held by the DigitalX Fund.

³ Includes all tokens not listed on an exchange. The amount includes \$USD100,121 held by the DigitalX Fund.

	31 December 2019 \$USD	30 June 2019 \$USD
Inventory method	3,255,853	4,661,772
Intangible asset method	414,247	1,633,577
Financial asset method	418	820,024
Total Digital Assets	3,670,518	7,115,373

D3 – INVESTMENTS

	31 December 2019 \$USD	30 June 2019 \$USD
Investment in Coincast - Equity accounted joint venture ^A	-	16,259
	-	16,259
Investments		
Investment in DigitalX Fund ^B	-	-
Investment in DX Americas LLC ^C	-	-
Investment in Futuredge Pty Ltd ^D	-	-
Investment in Bullion Asset Management Pte Ltd ^E	877,599	322,663
Convertible note receivable ^F	189,529	195,650
	1,067,128	518,313

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

During the period the Group announced that the Coincast Joint Venture would be terminated, after accounting for the loss generated by the joint venture for the period of \$16,259 (2018: loss of \$USD18,213) the carrying of the investment is now nil.

	31 December 2019 \$USD	30 June 2019 \$USD
Opening balance	16,259	56,581
Initial investment	-	-
DigitalX share of profit/(loss) – 50%	(16,259)	(38,442)
Foreign exchange movement	-	(1,880)
	-	16,259

B. Investment in DigitalX Fund

On 26 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 2019, the Group has an interest in the fund of 43% (2019: 43%), 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.

The net asset value (NAV) of the Group's units in the fund at 31 December 2019 is \$AUD 0.42 (2019: \$0.85).

C. DX Americas LLC

On the 23 November 2018, the Group [announced](#) a joint venture with US investment bank AmerX, DX Americas LLC with DigitalX's ownership at 50%. The entity is an equity accounted joint venture, the results for the period are immaterial.

D. Futuredge Capital Pty Ltd (Formerly FutureICO Pty Ltd)

During the period the Group announced that the Coincast Joint Venture would be terminated. The entity is an equity accounted joint venture, the results for the period are immaterial.

E. Investment in Bullion Asset Management Pte Ltd

On 16 April 2019, the Group [announced](#) its equity investment into Bullion Asset Management Pte Ltd, the management company for [xbullion](#) (gold backed stable coin project) for \$AUD450,000 and 9,411,764 DigitalX shares at an issue price of \$AUD0.085.

During the half-year the remaining shares were issued. Refer to Note F1 for further details.

	31 December 2019 \$USD	30 June 2019 \$USD
Opening balance	322,663	-
Initial investment	544,690	322,663
Foreign exchange movement	10,246	-
	877,599	322,663

F. Convertible note receivable

During the prior period, the Group entered into a convertible note with YPB Systems Ltd (ASX:YPB) based on the terms and conditions in the [announcement](#).

- 3-year fixed term, repayable only at maturity, non-redeemable;
- Conversion at any time to ordinary equity at the lower of A\$0.018 or a 50% discount to the price at which YPB shares were subscribed for pursuant to the most recent capital raising of YPB preceding the date of conversion (not including the present equity placement), provided that the deemed price is no lower than \$0.009
- Free attaching unlisted option with an exercise price of \$0.025. Option expiry 18 months from the date of conversion of the convertible note to shares

At year end the Group valued the note at fair value using a weighted average of the fair value using the redemption method of the note and the fair value of holding the note to maturity. Under this methodology the fair value (level 2) of the note was deemed to be \$USD189,529. The key inputs were:

- Coupon rate – 10%
- Market interest rate – 11.8%
- Risk free rate – 0.92%
- Volatility – 169%
- Share price at valuation date - \$0.005
- Conversion price - \$0.009

E - FINANCIAL POSITION

The section below includes information regarding the financial position of the Group (excluding non-operating assets & liabilities covered under Section C and Working Capital covered under Section D).

The section includes the following disclosures:

E1 Property, plant and equipment (Page 30)

E2 Non-current assets – Right of use (Page 30)

E3 Non-current assets - Intangible assets (Page 30)

E1 - PROPERTY, PLANT AND EQUIPMENT**Property Plant & Equipment**

	31 December 2019	30 June 2019
	\$USD	\$USD
Cost	354,138	351,352
Accumulated depreciation	(89,655)	(53,862)
Net Carrying amount	264,483	297,490
<i>Reconciliation</i>		
Carrying amount at beginning of period	297,490	502
Additions	2,786	351,352
Disposals	-	(481)
Depreciation charge for the period	(35,793)	(53,883)
Net carrying amount at end of period	264,483	297,490

E2 - NON-CURRENT ASSETS – RIGHT OF USE**(A) Change of accounting policy**

On 1 July 2019, the Group adopted the new leasing standard, *AASB16: Leases*, which replaced the existing standard, *AASB117: Leases*.

Under the new standard, leases are no longer classified as operating leases or finance leases as they had been previously under AASB 117.

In applying AASB16 from 1 July 2019 the Group has adopted the new standard retrospectively but has not restated comparatives for the 2018 or 2019 reporting comparatives, as permitted under the transitional provisions of the new standard. The reclassifications and impact of the new standard are therefore recognised in the opening statement of financial position on 1 July 2019.

(B) Adjustments recognised on adoption of AASB16

At the time of the change, the Group only had one lease classified as an operating lease, being the lease for the Blockchain Centre entered in to in July 2018 for a term of 5 years, that was required to be recognised:

Lease liability

The lease liabilities were recognised at the present value of remaining lease payments, discounted using the Group's incremental borrowing rate (8.8%) at the time of the adoption.

	\$USD
Operating lease commitments disclosed at 30 June 2019	544,549
Adjustment for contracts reassessed as service contracts	(234,663)
Adjustment for discounting using the Group's incremental borrowing rate	(166,972)
Adjustment for finance liabilities	273,218
Liability at 1 July 2019	416,132
<i>Current Lease Liability</i>	86,576
<i>Non-Current Lease Liability</i>	329,556
Liability at 1 July 2019	416,132
Interest expense	16,767
Lease payments	(55,200)
Liability at 31 December 2019	378,223
<i>Current Lease Liability</i>	86,229
<i>Non-Current Lease Liability</i>	291,994

Right of use asset

The associated right of use asset for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required adjustment

	Property Leases \$USD
Opening balance at 30 June 2019	-
Adjustment for right of use asset	389,397
Right of use asset at 1 July 2019	389,397
Depreciation of right of use asset	(48,675)
Right of use asset at 31 December 2019	340,772

¹ The net impact to retained earnings at 1 July 2019 was \$26,696

² The Group does not currently recognised deferred tax assets, as a result no deferred tax impact has been recognised as a result of the change in the standard.

(C) Other transition disclosures

- The Group has applied several practical expedients under the new standard as permitted. The expedients include:
 - Use of single discount rate
 - Reliance on previous assessment as to whether lease(s) are onerous
 - Exclusion of indirect costs for the measurement of right of use assets and initial application
- Lease payments for property leases includes fixed payments less any incentives, variable payments based on a rate and amounts expected to be payable under residual value guarantees.
- Right of use assets for property leases include the initial measurement of the lease liability plus initial direct & restoration costs.

E3 - NON-CURRENT ASSETS - INTANGIBLE ASSETS

	31 December 2019 \$USD	30 June 2019 \$USD
<i>Intellectual property</i>		
Cost	2,016,188	2,016,188
Accumulated amortisation	-	-
Provision for Impairment ²	(2,016,188)	(2,016,188)
Net Carrying amount	-	-
<i>Reconciliation</i>		
Carrying amount at beginning of period	-	49,519
Additions	-	481
Write down of Intangible Assets	-	(50,000)
Provision of impairment of Intangible Assets	-	-
Net carrying amount at end of period¹	-	-

¹ Net of accumulated amortisation and provision for impairment

² The Group has raised a \$USD2,016,188 impairment provision against the costs capitalised for its AirPocket intangible asset. AirPocket's gross capitalised cost totals \$USD2,016,188. This provision was recorded in the prior 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.

F - EQUITY

The section below includes information regarding the Group's equity structure including movements in contributed equity from share transactions and movements in reserves.

The section includes the following disclosures:

F1 Contributed Equity (Page 33)

F2 Reserves & Non-Controlling Interest (Page 33)

F1 – CONTRIBUTED EQUITY**(a) Issued and paid up Capital**

Fully paid ordinary shares – 605,628,549
(2019: 571,525,747)

31 December 2019 \$USD	30 June 2019 \$USD
34,756,915	33,662,319

(b) Movement in Ordinary Share Capital

Date	Details ¹	Number of Shares	Issue Price A\$	\$USD ²
30 June 19	Closing Balance	571,525,427		33,662,319
1 July 19	Vesting of Performance Rights	24,691,359	-	556,934
2 July 19	Share issue costs	-	-	(3,472)
15 Nov 19	Issue of Shares on exercise of options	9,411,764	0.0324	544,690
18 Nov 18	Share issue costs	-	-	(3,554)
31 Dec 19	Closing Balance	605,628,549		34,756,916

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

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

Rights Attaching to Shares

The rights attaching to fully paid ordinary shares arise from a combination of the Company's constitution, statute and general law. Fully paid ordinary shares carry one vote per share and carry a right to dividend.

Dividends

There are no dividends paid or declared during the period.

F2 – RESERVES & NON-CONTROLLING INTEREST**Nature of reserves & non-controlling interest**

Option premium and share-based payment reserve	Reserve is established to record balances pertaining to share options and performance rights granted for services provided to the Company by employees and vendors.
Convertible note reserve	Reserve is established to record amounts required to be recognised in equity for convertible notes that meet the definition of compound instruments.
Foreign Exchange Reserve	Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.
Non-controlling interest	This is used to record transactions with non-controlling interests that do not result in a loss of control.

	Note	Option premium and share-based payment reserve ¹	Convertible Note Reserve	Foreign Exchange Reserve	Non-Controlling Interest
30 June 2019		1,300,760	62,680	21,420	592,810
Share based payment expense		70,823	-	-	-
Conversion of foreign operations		-	-	8,064	-
NCI share of profit or loss	P&L	-	-	-	(308,686)
NCI net units issued in Unit Trust ²		-	-	-	-
NCI share in translation difference		-	-	-	11,032
31 December 2019		1,371,583	62,680	29,484	295,156

¹ Ordinary share issues treated as share-based payments that have no vesting conditions are recognised directly in equity.

² Balance is the net amount inclusive of issues, redemptions and changes in interest in the DigitalX Fund.

Valuation of options and performance rights

The fair value of the share options and performance rights at grant date are determined using a binomial 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 Director

Item	Tranche 1
Volatility (%)	119.92%
Risk-free interest rate (%) – range	1.04%
Expected life of option (years)	5
Exercise price per terms & conditions	\$AUD0.10
Underlying security spot price	\$AUD0.04
Valuation date	10 July 2019
Expiry date	30 June 2024
Valuation per option	\$AUD0.046

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 1	Tranche 2
Market based condition – Share price target over 15 days	\$AUD0.09	\$AUD0.09
Volatility (%)	121.84%	117.18%
Expected vesting period (years)	3	3
Underlying security spot price	\$AUD0.04	\$AUD0.03
Valuation date	10 July 2019	21 Nov 2019
Expiry date	9 July 2022	12 Dec 2022
Valuation per right	\$AUD0.037	\$AUD0.021

G - GROUP STRUCTURE

The section below includes information regarding the Group organisational structure and information related to the parent entity as required by the Corporations Act 2001.

G1 - CONTROLLED ENTITIES

Half-year ended 31 December 2019

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note G1 in the annual report. All controlled entities are included in the consolidated annual final report. The parent entity does not guarantee to pay the deficiency of its controlled entities in the event a winding up of any controlled entity. The period end of the controlled entities is the same as that of the parent entity, except for the US companies listed below which use 31 December year end.

There were no changes to the controlled entities during the half-year ended 31 December 2019.

Name of Controlled Entity	Place of Incorporation	% of Shares Held 31 December 2019	% of Shares Held 30 June 2019
Digital CC Management Pty Ltd	Australia	100%	100%
Digital CC Trading Pty Ltd	Australia	100%	100%
Digital CC IP Pty Ltd	Australia	100%	100%
Digital CC Limited	Hong Kong	100%	100%
Digital CC IP Limited	Hong Kong	100%	100%
Digital CC Holdings USA Inc	United States	100%	100%
Digital CC USA LLC	United States	100%	100%
Digital CC USA Services LLC	United States	100%	100%
Digital CC Ventures Pty Ltd	Australia	100%	100%
Pass Petroleum Pty Ltd	Australia	100%	100%
Airpocket International Pty Ltd	Australia	100%	100%
AirPocket LLC	United States	100%	100%
DigitalX Funds Management Pty Ltd	Australia	73%	73%
DigitalX Fund Unit Trust	Australia	43%	43%
DigitalX Asset Management Pty Ltd	Australia	100%	100%
DigitalX New Tech Fund Inc.	Panama	100%	100%
DigitalX (BVI) Limited	British Virgin Isles	100%	100%
Digital Asset Administration Cayman Limited	British Virgin Isles	100%	100%

H - OTHER DISCLOSURES

The section below includes information regarding other disclosures relevant to users of the financial statement in understanding other transactions and the impact of future standards or events that may impact the Group.

The section includes the following disclosures:

H1 Related Party Transactions (Page 37)

H2 Commitments and contingents (Page 37)

H3 Events after reporting date (Page 37)

H1 - RELATED PARTY TRANSACTIONS

Half-year ended 31 December 2019

There were no changes to the nature of related party transactions disclosed in the Annual Report for the 31 December 2019 other than the change of directors noted in the Director's Report.

Half-year ended 31 December 2018

During the period, Mars Capital Australia Pty Ltd, a company controlled by former 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 former Non-Executive Chairman, now Non-Executive Director, 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).

H2 – COMMITMENTS AND CONTINGENCIES

Commitments of the Group

During the prior year entered into a 5-year lease for premises at 66 Kings Park Road, West Perth, WA ("The Blockchain Centre"). At 31 December 2019 the amount due within 12 months was \$138,580 and the committed between 12 months and 5 years was \$359,401. There were no commitments greater than 5 years (2019: \$544,549)

The Group did not have any commitments other than those previously disclosed.

Guarantees entered into by the Group

There were no guarantees entered into by the Group as at 31 December 2019 other than for the lease noted above (2019: Nil).

Contingent Liabilities of the Group

The Group did not have any contingent liabilities as at 31 December 2019 (2019: Nil).

H3 - EVENTS AFTER THE REPORTING DATE

No other matter or circumstance has arisen since 31 December 2019 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 below.

Date of event	Details of event										
27 February 2020	Due to the volatile nature and the materiality of the digital assets held, we disclose the value of material digital assets held by the Group, excluding the DigitalX Fund and unlisted digital assets, as at the close date of the 27 February 2020.										
	<table><tr><th>Coin Symbol</th><th>Coin Amount</th><th>\$USD Spot Price at 31 December</th><th>\$USD Spot Price at 27 February</th><th>\$USD Balance</th></tr><tr><td>BTC</td><td>431*</td><td>\$7,141</td><td>\$8,784</td><td>\$3,785,904</td></tr></table>	Coin Symbol	Coin Amount	\$USD Spot Price at 31 December	\$USD Spot Price at 27 February	\$USD Balance	BTC	431*	\$7,141	\$8,784	\$3,785,904
Coin Symbol	Coin Amount	\$USD Spot Price at 31 December	\$USD Spot Price at 27 February	\$USD Balance							
BTC	431*	\$7,141	\$8,784	\$3,785,904							

*Includes equivalent units in Digital BTC Fund

There were no other reportable subsequent events.

CORPORATE DIRECTORY

Directors

Toby Hicks

Non-Executive Chairman

Leigh Travers

Executive Director

Peter Rubinstein

Non-Executive Director

Company Secretary

Shannon Coates

ABN

59 009 575 035

Registered Office and Principal Place of Business

Suite 1, Level 2

66 Kings Park Road

West Perth WA 6005

Tel: +61 (8) 9322 1587

Auditor

BDO Audit (WA) Pty Ltd

38 Station Street

SUBIACO WA 6009

Tel: +61 (8) 6382 4600

Fax: +61 (8) 6382 4601

Stock Exchange Listing

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

Share Registry

Computershare Investor Services Pty Limited

Level 11, 172 St Georges Terrace

Perth WA 6000

GPO Box D182

Perth WA 6840

Telephone: +61 (8) 9323 2000

Facsimile: +61 (8) 9323 2096

Email: perth.services@computershare.com.au

[Website www.digitalx.com](http://www.digitalx.com)



DIGITALX LIMITED

ABN 59 009 575 035

 **WWW.DIGITALX.COM**

 **INFO@DIGITALX.COM**