

ASX ANNOUNCEMENT 29 JANUARY 2021

DECEMBER 2020 QUARTERLY REPORT

DigitalX Limited (ASX:DCC, DigitalX and the Company) provides the following report on activities completed in the quarter ended 31 December 2020.

HIGHLIGHTS

- 84% increase in working capital on previous quarter
- Development and launch of Drawbridge as a first mover in capturing global RegTech opportunities from companies using financial exchanges which are shifting to DLT systems
- DigitalX becomes a Foundation Consulting Partner of Digital Asset Holdings, the DLT provider to major international securities exchanges
- Total FUM growth to \$17.8m (as at last NAV)

QUARTERLY OVERVIEW

A. Summary of Working Capital Position

DigitalX had cash, listed digital assets and liquid unlisted investments of over AU\$20.8m in value as at 31 December 2020.¹

Name	Value (\$AUD)
Australian Dollars	\$3,541,279
Bitcoin ²	\$8,125,640
Fund units ³	\$8,773,993
Other liquid investments	\$340,749
Total	AUD\$20,781,662

¹ Since the end of the quarter, the Bitcoin price has increased to USD\$31,114 at the date of this report.

² Total Bitcoin in treasury at 31 December 2020 was 215.95.

³ Includes total units in the DigitalX BTC Fund and DigitalX Fund based on the respective NAV at 31 December 2020.

⁴ Total excludes amounts for tokens pending listing and/or for which an active market is not observable.

⁵ USD/AUD spot rate at the quarter ended 31 December 2020 was \$1.29736.

Liquid assets for the period increased by a total of \$9.5m up 84.41% from the September 2020 quarter. This was primarily as a result of stronger digital asset prices compared to the previous quarter.

The operating cash outflow for the quarter was \$428k with receipts of \$158k¹.

While cash expenditure was relatively consistent for the quarter, there was a reduction in cash receipts from government grants and incentives for the quarter of \$99k from \$107k to \$8k. In the prior quarter, the Group

¹ Total includes \$150k receipts from customers and \$8k in government incentives

received a one-off receipt for Export Marketing and Development Grant (EMDG) of \$75,864 which accounts for the majority of the reduction.

Expenditure incurred during the quarter was comprised predominantly of:

- Staff costs of \$203k, down on prior quarter of \$208k which represents a consistent outflow for the quarter with no major changes in staffing levels for the quarter.
- Administration and corporate costs of \$324k flat from the prior quarter.
- Professional fees of \$50k up on prior quarter of \$23k primarily due to compliance costs associated with the Group's annual reporting and annual general meeting.

In addition to the operating cash flows noted above, the Group incurred investing expenditure of \$85k for the quarter related to the development of the Drawbridge application.

In accordance with ASX Listing Rule 4.7C.3, \$49k was paid to related parties or their associates during the quarter, down from \$57k on prior quarter, comprising Executive Director salary & superannuation, Non-Executive Director superannuation, and legal fees paid to Steinepreis Paganin (of which Mr Hicks is a Partner).

B. Business Activities

Overview

DigitalX continued to progress the dual business strategy of growing its funds management division as well as developing applications utilising Distributed Ledger Technology (DLT). The Company has a unique skill set and experience within the industry and seeks to provide investors with exposure to both high-growth markets.

BLOCKCHAIN CONSULTING AND DEVELOPMENT

FinTech and RegTech Businesses - Drawbridge

During the quarter the Company announced the launch of Drawbridge (www.opendrawbridge.io). Drawbridge is a new RegTech business executing on the Company's strategy of creating DLT products with near term revenue potential and first-mover advantages for leveraging emerging, high-growth technologies in the financial markets sector.

Drawbridge's first product provides a digital solution to manual and error-prone processes for publicly listed companies in managing and implementing their securities trading policies. A securities dealing policy is required by all Australian ASX listed companies under ASX Listing Rule 12.9 - 12.12. Similar requirements exist in most major financial jurisdictions.

The first version of the Drawbridge securities dealing software application was built through a six week design and development programme using an agile approach with a small, specialised team. The application has a back-end database built using DAML, the same technology language being used for the CHES replacement system. Drawbridge has been designed with future integration in mind with global exchanges set to adopt DAML, which may enable enhanced features and broader services to be offered to customers.

Since release of the product, work has been focused on planning and implementing strategies for the ongoing commercialisation and scaling of the Drawbridge business. The Company is taking an evidence based approach using customer feedback through the Early Adopter Programme (EAP), in order to prove out the business's revenue model, pricing structure, customer acquisition channels, onboarding process, and feature roadmap. Drawbridge secured its first customer during the quarter along with small first cash receipts for

use of the product during the EAP. These cash receipts are still at this stage immaterial. The Company continues to sign up ASX listed companies to its EAP.

Foundation Consulting Partner of Digital Asset Holdings

The Company has also strengthened its network of key industry relationships by becoming a Foundation Consulting Partner of Digital Asset Holdings, who are the developers of DAML and work directly with leading global securities exchanges such as the ASX, HKEX, and SGX. Drawbridge product demonstrations have been presented to senior Digital Asset staff members and have resulted in meaningful early stage conversations on cross-marketing opportunities for DAML and Drawbridge.

2020 National Conference for the Governance Institute of Australia Sponsorship

The Company was a sponsor of the 2020 National Conference for the Governance Institute of Australia, the leading professional membership association supporting board members and professionals responsible for governance. This saw the Company provide a product demonstration to the 350+ conference attendees, many of whom have direct responsibility for securities dealing policies at major listed companies that have large numbers of employees to manage under the policy. Sponsorship of the conference generated a pipeline of well qualified inbound leads.

RegTech Association Membership

The Company also became a member of the national RegTech Association to expand its presence in the market and access industry opportunities. During the quarter, membership has facilitated an invitation for the Company to respond to the issues paper being developed by the RegTech Working Group as part of the Department of Industry's National Blockchain Roadmap, as well as an opportunity to apply for RegTech collaboration with the NAB.

Digital Finance Cooperative Research Centre (CRC)

DigitalX has made a partnership declaration to support a bid to create a Digital Finance Cooperative Research Centre (DFCRC) along with other partners including major retail and central banks, technology companies, and universities. CRCs are an Australian government initiative that provides funding for collaborative projects between industry and research organisations to promote national competitiveness and productivity. If successful, funding would be used to progress projects in digital finance, regulatory technology, and asset digitisation fields. The Digital Finance CRC application has been successfully progressed to round two with a final outcome due in March 2021 for funding to commence in October 2021.

New Technical Lead

In resourcing the ongoing activities related to Drawbridge, the Company's technical team has been expanded through the successful recruitment of a highly skilled Technical Lead. The purpose of this position is to accelerate the development of features that support the commercialisation of the Drawbridge business through its Fintech and RegTech product offerings.

BAM and xbullion

Bullion Asset Management Pte Ltd (BAM), a Singapore based bullion technology business is a key client for the Company and recently launched xbullion with the technical support of DigitalX. xbullion allows investors to acquire digitally transferable ownership of physical gold bullion that is vaulted, audited and insured for a fraction of the cost of traditional measures. xbullion gold is BAM's first product and is supported by technical infrastructure, supply agreements, partnerships and an online customer portal.

DigitalX was responsible for building the core technical infrastructure of xbullion which enabled the product to go live to the market on one platform in late September. Initial progress has been positive, with xbullion

seeing 50% month-on-month growth in sales. The DigitalX team created the additional infrastructure required to enable the product to be launched on larger international platforms as well as providing real-time market analysis through the development of trading and monitoring dashboards.

Following the success of this first product, BAM has developed a roadmap of additional products and platforms and DigitalX expects to continue to support the business through the provision of technical services through 2021.

DIGITALX ASSET MANAGEMENT

DigitalX offers a dedicated digital asset funds management business to provide qualified investors with secure and low-cost exposure to Bitcoin and the digital asset market. The asset class has been shown to provide strong historical returns and low-correlation to traditional asset classes.² While the benefits of the asset class to a diversified portfolio are highlighted in the current macroeconomic environment, Australian investors have been underserved with traditional fund structures and are often constrained from ownership due to technical and administrative hurdles. The DigitalX Asset Management business is designed to solve this problem in the marketplace.

DigitalX continues to be a first mover in the digital asset funds management industry and while initial growth has been lower than targeted, funds under management are approaching \$20m and continuing to grow. Returns for both funds have been pleasing and in line with the asset class highlighting the ability of the products to provide qualified investors with a safe, secure and accessible way to gain exposure to the sector.

The DigitalX funds management team continues to run fortnightly webinars to groups of investors and financial advisors as well as personalised individual presentations. The team delivers high quality digital asset specific research to an audience of over 5,000 qualified investors and is frequently sought after for market commentary from traditional investment media platforms. In improving the education and awareness around the sector as well as the business, DigitalX is one of the only organisations that delivers a digital asset presentation that has been accredited for continuing professional development.

The DigitalX Bitcoin Fund is listed on wealth management platforms Powerwrap and Netwealth and has made progress in due diligence with an additional two other major wealth management platforms. The DigitalX Bitcoin Fund has been available for qualified Australian investors but has recently been in discussions with the fund administrator to open the fund to all Commonwealth countries which serves to broaden the potential investor base.

C. Corporate Activities

Annual General Meeting

The Company's Annual General Meeting was held on 26 November 2020 at the Blockchain Centre in Perth and online via the Lumi application. The Company would like to thank the shareholders that attended and were pleased to provide them with an overview of the 2020 financial year and update on the Company's plans for 2021.

Changes in Securities

During the quarter ended 31 December 2020, the Company issued the following securities:

- 2,029,914 ordinary shares issued in lieu of cash consideration for Directors' fees approved by Shareholders on 26 November 2020; and
- 1,000,000 options exercisable at \$0.12 expiring on 18 December 2024.

² <https://www.etftrends.com/cryptocurrencies-have-a-place-in-a-diversified-investment-portfolio/>

D. Outlook

DigitalX is well positioned for growth from both the Blockchain consulting and development and funds management business lines after establishing the groundwork during 2020. The Company recently launched the first DLT based RegTech product Drawbridge to market and enters 2021 focused on commercialising the product, as well as defining and developing additional products that will add value to the core product in the RegTech space.

With the recent increase in the price of Bitcoin past the 2017 high of \$20k, investors are becoming more aware of the value in the asset class. While the December and early January period was a volatile period for the sector, the market has returned to more attractive levels for new and under-allocated investors. The investment opportunity, combined with the additional progress on the pipeline across financial advisory networks and wealth management platforms to enable the funds to gain access to approved product lists, positions the Company's Digital Assets and Bitcoin funds for growth in 2021.

The Company has recently engaged a corporate advisory and media advisory firm to refine the DigitalX strategy and assist with increasing the awareness of the Company and its products.

- Ends-

Authorised by the Board of DigitalX Limited.

For further information, please contact:

DigitalX Limited

Leigh Travers

Executive Director

leigh@digitalx.com

T: +61 439 376 847

About DigitalX

DigitalX Limited (ASX: DCC) is a technology and investment company focused on blockchain consulting, digital asset funds management, and RegTech. DigitalX's consulting division designs and develops blockchain technology applications for business and enterprise organizations. Through its asset management division, DigitalX provides low-cost traditional asset management products for qualified investors looking to gain exposure to the growing alternative asset class of digital assets, including Bitcoin. DigitalX is currently commercialising Drawbridge, the Company's first RegTech solution that supports listed companies in better managing their compliance and corporate governance policies. With Drawbridge, companies can manage employee and director share trading approvals in order to safeguard their reputations.

www.digitalx.com | <https://digitalx.fund/> | www.opendrawbridge.io

APPENDIX 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

DigitalX Limited

ABN

59 009 575 035

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$AUD'000	Year to date (6 months) \$AUD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	150	263
1.2 Payments for		
(a) research and development	-	-
(b) advertising and marketing	(17)	(31)
(c) leased assets	-	-
(d) staff costs	(203)	(411)
(e) administration and corporate costs	(324)	(649)
(f) professional fees	(50)	(73)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	19
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	8	115
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(428)	(767)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(3)
(d) investments	-	-
(e) intellectual property	(85)	(85)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$AUD'000	Year to date (6 months) \$AUD'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(85)	(88)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	337
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(7)	(7)
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 (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(7)	330

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,051	4,059
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(428)	(767)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(85)	(88)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(7)	330

Consolidated statement of cash flows		Current quarter \$AUD'000	Year to date (6 months) \$AUD'000
4.5	Effect of movement in exchange rates on cash held	11	8
4.6	Cash and cash equivalents at end of period¹	3,542	3,542

Note 1: At the date of this report, the Group also holds Bitcoin, listed digital assets and other unlisted investments not included above but which are considered to be highly liquid and can be converted into cash when required as set out on page 1 of the Quarterly Activities Report.

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 \$AUD'000	Previous quarter \$AUD'000
5.1	Bank balances	3,542	4,051
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)	3,542	4,051

6.	Payments to related parties of the entity and their associates	Current quarter \$AUD'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 ²	49
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note 2: Amounts paid to related parties includes Executive Director salary and superannuation, Non-Executive Director superannuation, and legal fees.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$AUD'000	Amount drawn at quarter end \$AUD'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-

7.5 Unused financing facilities available at quarter end

-

7.6 Description of facilities

-

8.	Estimated cash available for future operating activities	\$AUD'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(428)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,542
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,542
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	8.28

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable

8.6.3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 29 January 2021

Authorised by: Board of DigitalX Limited

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.