



ASX ANNOUNCEMENT

31 January 2017

December 2016 Quarterly Report

Highlights:

- DigitalX successfully raised AU\$1.62m via a share placement to sophisticated investors
- The Share Purchase Plan offered to all existing shareholders that commenced in December and concluded in January, raised over AU\$200k
- New board and management team restructure completed – saving AU\$1m
- AirPocket signs agreements with **UniTeller**, a leading international remittance company for AirPocket money Transfers
- Agreement signed with **Paykii**, the top provider for Latin American Bill-Pay coverage for AirPocket Bill-Pay
- **AT&T Mexico** signed agreement for AirPocket mobile phone top-ups

DigitalX Limited (ASX:DCC and **the Company**) is pleased to provide the following report on activities completed in the quarter ended 31 December 2016.

Quarterly Overview

AirPocket

DigitalX has developed AirPocket, a unique remittance application as the only Blockchain-enhanced top-up, Bill-pay and money transfer application in the world today. The Company signed a number of significant agreements during the quarter as it gains industry recognition as a secure and effective funds transfer solution.

AT&T Mexico

As announced to the ASX on 13 October 2016 and as noted in the previous quarterly report, the signed an agreement with AT&T Comunicaciones Digitales S. de R.L de C.V. (**AT&T Mexico**) which is a subsidiary of AT&T Inc, the world's largest telecommunications company based on revenue.

The agreement will allow consumers in the United States to use AirPocket, to transfer funds directly into mobile phone accounts of users on the AT&T Mexican network. DigitalX will earn commission on the value of the mobile top-up, with the mobile top-up ranging between ~US\$0.50 and ~US\$50 per transaction. The integration of the AirPocket App into AT&T's network was completed in November.

UniTeller

During the period the Company announced that its wholly owned subsidiary, AirPocket LLC, signed an agreement with Servicio UniTeller Inc., (**UniTeller**). Uniteller processes over 15% of the US to Latin American Corridor and manages a network of more than 40,000 cash out locations around the world.

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The agreement with UniTeller gives AirPocket licensing and access to an established network of 17,000 cash out locations in Mexico alone, including Walmart, large retailers and all of Mexico's major banks. The integration of AirPocket into UniTeller's remittance network has been successfully completed with the launch planned for February. The Company will provide a full update in the second week of February on the consumer marketing strategy, wholesale marketing strategy and AirPocket rebrand.

AirPocket

As announced 8 December 2016, AirPocket LLC signed an agreement with Paykii Inc. (**Paykii**), the leading provider for Latin American Bill-Payment coverage.

The agreement will allow AirPocket users to pay electricity, telephone, internet, cable, water and gas bills from their mobile phone. Users will soon be able to make 24/7 balance inquiries and payments and importantly, the service will cover the largest utility providers in each country. This service is scheduled for roll-out in Q2 of 2017.

The partnership strategy and service roll-out of mobile top-ups, money transfer and Bill-pay will see AirPocket with the following country coverage in the Americas. Sales generated from Mobile top-ups have not been significant as yet, however the Company believes this service will have increased interest when the money-transfer service is available in Q1.



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DigitalX Direct and Trading Operations

During the quarter, trading operations generated over \$2m in revenue. As announced to the ASX on 1 November 2016, the Company is reviewing its Bitcoin operations and has since been in active discussions with interested parties to leverage the knowledge, trading platform and customer base of DigitalX Direct. The Company will finalize the process in February to monetize the investment in the platform.

The Bitcoin side of the Business has been invaluable for the Company to gain development expertise in Blockchain-based applications that are truly differentiated from the market. The development of AirPocket applications will see the Company achieve success with its patent pending intellectual property.

Corporate Overview

Capital Raisings

The Company substantially completed a share placement of 31,940,000 fully paid ordinary shares (**Shares**) to professional and sophisticated investors at an issue price of \$0.05 per Share to raise approximately \$1.62 million, before costs, as announced to ASX on 28 November 2016 (**Placement**). Merchant Corporate Finance Pty Ltd acted as lead manager to the Placement.

Shareholder approval is being sought at a shareholder meeting scheduled for 6 February 2017 (**Meeting**), for Directors Leigh Travers and Toby Hicks to participate in the Placement for 800,000 Shares. 6 million shares have been purchased and issued to President Neel Krishnan on the same terms as other placement participants.

A further 4,232,000 shares were issued on January 19 on the same terms of the Placement to raise a total of \$211,600, pursuant to the Share Purchase Plan as released on ASX on 9 December 2016.

Shareholder approval is being sought at the Meeting on the 6th of February for the issue of options to participants in the Placement and the Share Purchase Plan on a 1 for 2 basis, exercisable at \$0.08 each on or before 8 December 2017.

Board and Management Changes

During the quarter, the Company completed a Board and Management restructure with the appointments of Mr Faisal Khan as Non-Executive Director, Mr Toby Hicks as Interim Chair, Mr Leigh Travers as CEO and Mr Neel Krishnan as President.

Mr William Brindise resigned as a Director following the Company's Annual General Meeting on 30 November 2016. On 16 December 2016 the Company terminated Mr Alex Karis' Executive Services Agreement with Digital CC Holdings Pty Ltd and on 23 December 2016 Mr Karis resigned as a Director of the Company.

The changes have enabled significant savings to be generated from salary and office expenditures. The reduction in salaries has enabled a saving of AU\$1m per annum.

As announced 8 December 2016, the Company appointed Ms Shannon Coates as Company Secretary and changed its registered office and principal place of business to the below details:

Suite 5, 62 Ord Street, West Perth, Western Australia 6005
Telephone 08 9322 1587
Email info@digitalx.com

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Summary of Working Capital Position

DigitalX Ltd had total cash and cash equivalents of \$973k at quarter end. Post the quarter, the Company raised AU\$211,600 from the SPP and the Company has been successfully negotiating to further reduce expenses significantly.

Outlook

DigitalX is on schedule to roll-out money transfer services for AirPocket this quarter after a successful integration with UniTeller. The Company has been reviewing consumer marketing proposals from the world's premier service providers and looks forward to releasing the news in the second week of February. AirPocket is going to be an attractive opportunity for US businesses with a large Latino consumer base and the wholesale business development is in full swing to bring a new partnership to DigitalX. The development of AirID is progressing well and the process for business partnerships on this project has begun. The roll-out of this service is scheduled for Q2 2017.

DigitalX's Chief Executive Officer, Leigh Travers, commented: "The cross-border money transfer launch for AirPocket is a very exciting time for DigitalX and I am pleased the UniTeller integration has progressed on time and budget. The strategy for the consumer marketing and wholesale business development positions the Company to offer AirPocket to a vast addressable audience and the recent takeover offer for MoneyGram highlights the interest in our space. By providing the most efficient and secure technology solution to a regulated marketplace, AirPocket is an excellent position to capitalize on the opportunity ahead"

Ends

For further information, please contact

DigitalX Limited

Leigh Travers

Chief Executive Officer

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About DigitalX

DigitalX is a Blockchain-based software solutions group disrupting the payments industry. Its products allow consumers to make secure and cost-effective money transfers worldwide. Partners can use DigitalX's technology to offer new financial products. DigitalX is based in Boston and has offices in New Jersey and Australia.

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 2016

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	2,019	8,960
1.2 Payments for		
(a) research and development	-	-
(b) advertising and marketing	(110)	(173)
(c) leased assets	-	-
(d) staff costs	(235)	(640)
(e) administration and corporate costs	(207)	(359)
(f) professional fees	(191)	(340)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
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)		
(a) Power and hosting of bitcoin mining equipment	(120)	(120)
(b) Purchase of bitcoins for Liquidity Desk	(1,746)	(8,391)
1.9 Net cash from / (used in) operating activities	(591)	(1,063)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2)	(2)
(b) businesses (see item 10)	-	-

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Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
	(c) investments	-	-
	(d) intellectual property	(299)	(527)
	(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	-	152
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(301)	(377)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,257	1,658
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	(23)	(23)
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)	(217)	(217)
3.10	Net cash from / (used in) financing activities	1,017	1,418

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	891	1,042
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(591)	(1,063)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(301)	(377)

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,017	1,418
4.5	Effect of movement in exchange rates on cash held	(44)	(48)
4.6	Cash and cash equivalents at end of quarter	973	891

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	973	734
5.2	Call deposits	-	157
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)	973¹	891

¹ Subsequent to the end of the Quarter, the Company received US\$160,000 from the Share Purchase Plan, completed in the 16 January 2016.

6.	Payments to directors of the entity and their associates	Current quarter US\$'000
6.1	Aggregate amount of payments to these parties included in item 1.2	122
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	
Salary, Director fees		

7.	Payments to related entities of the entity and their associates	Current quarter US\$'000
7.1	Aggregate amount of payments to these parties included in item 1.2	7
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	
Reimbursement of corporate costs.		

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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	224
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	110
9.4 Leased assets	-
9.5 Staff costs	111
9.6 Administration and corporate costs	94
9.7 Other (provide details if material)	
(a) professional fees	208
(b) share buy-back ¹	174
(c) capital raising costs	88
(d) power and hosting	84
9.8 Total estimated cash outflows	1,093

Note 1: On 25 August 2016, the Company had announced that it has entered into an agreement to buy-back 17,633,839 shares at AU\$0.03 per share, held by entities controlled by Mr Tsvetnenko. The buy-back was completed on the 14 Dec 2016, with AU\$240,000 remaining payable as at the 31 Dec 2016. This amount has been settled in the subsequent quarter.

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	-	-

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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:
(Managing Director)

Date: 31 January 2017

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.

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