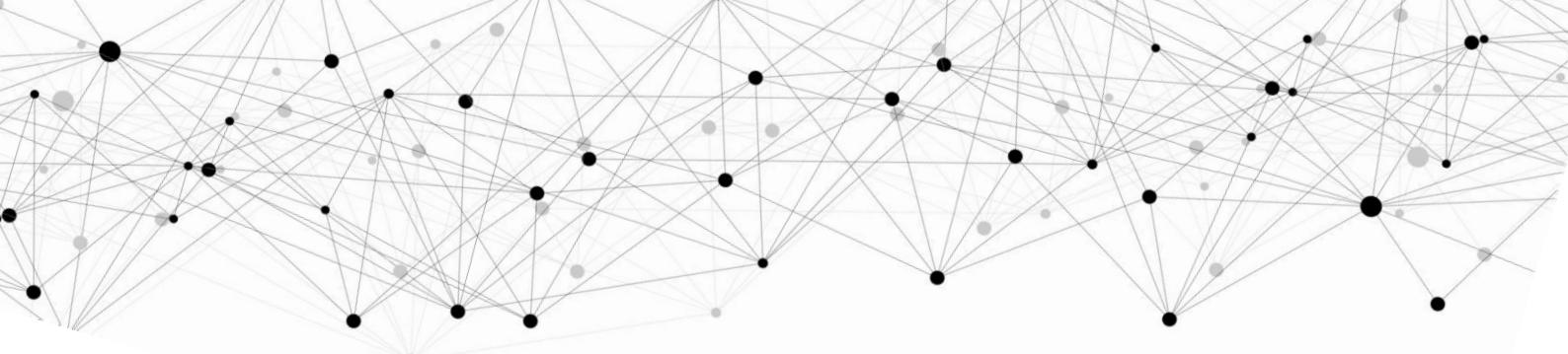


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**DIGITALX LIMITED  
ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

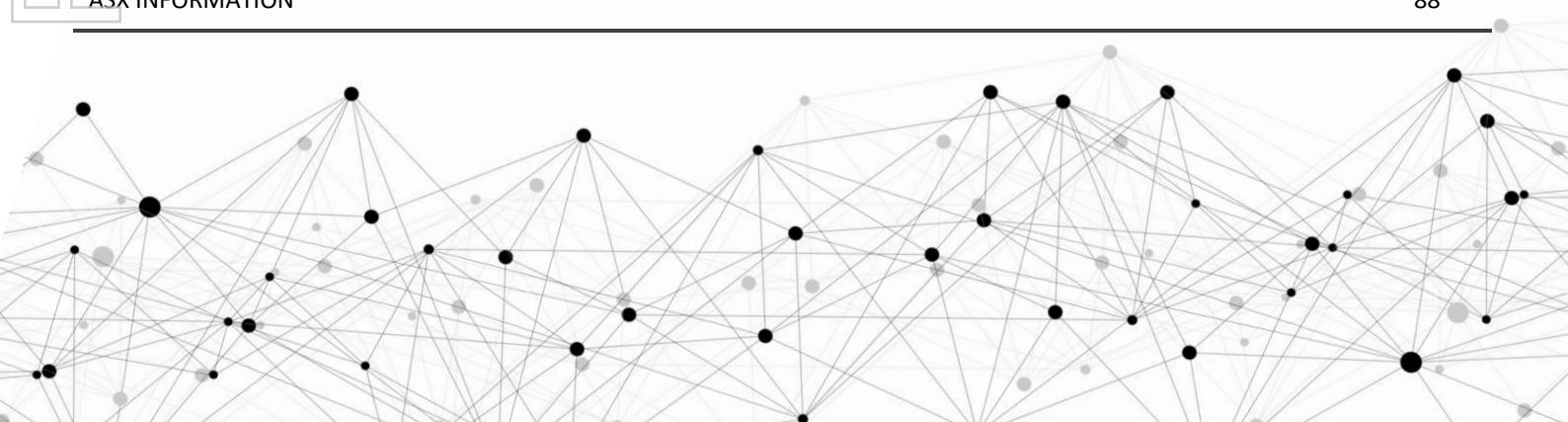


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## LETTER FROM THE MANAGING DIRECTOR

Dear Fellow Shareholders,

DigitalX experienced an exciting year operating in one of the world's fastest growing markets, driven by increasing awareness and adoption of Blockchain technology. We started the year with a focus on solidifying the Blockchain Global cornerstone investment, building a team of professionals with financial expertise to complement our core industry experience and setting our sights on generating positive cash flows.

The Company began the financial year with myself as CEO, the only Australian-based employee. Certainly, one of the most positive developments has been the time and energy spent on hiring the right talent. We had a key focus on attracting the right team, with a mix of financial expertise in the management of assets as well as product and markets analysis to complement our core industry experience. I am very pleased to see that our team of high calibre individuals has expanded to just under twenty people across Australia and the United States. This skill set will aid DigitalX's transition into a sustainable growth business over the next three to five years. The management team is now supported by a Board that has well-known expertise within the industry and represents a significant and fully-paid shareholding in your Company.

With the support of the Board and a well-funded Company, management was able to pursue and evaluate business opportunities globally with a focus on achieving significant positive revenues from consulting, advising and creating new crypto-financial products.

### Initial Coin Offering commentary

DigitalX was at the forefront of the Initial Coin Offering (ICO) revolution - in which, for the first time ever, the market placed a value on promising ideas from entrepreneurs. DigitalX was fortunate to play a role in advising more than 10 projects in a period that may be looked on by history as the foundation of the 'internet of value'. The ICO process brought together a team behind a founder's vision to create a mechanism to attract the attention and talent required to co-develop potentially world-changing ideas. The speed that some of these projects were able to develop their project, build a team and prioritise their vision above the immediate needs of the status quo at times exhilarating.

The ICO market saw cross-border collaboration on solving some of the big problems the world is facing. In hindsight, the hype and excitement in the market exceeded the pace of the technology development and the value of the technology that had been created at that time. Those that are bearish on blockchain technology are now in the minority. While there is clear support for the technology, the first iteration of the funding mechanism, ICOs, were not suitable to all projects. On reflection, it can be a flawed model when applied to too many diverse businesses. DigitalX is confident that the upcoming Security Token Offering (STO), hybrid utility and STO, and limited ICO model will see greater benefits for issuers and investors. We are focused on providing advisory services and the technology to enable this transition in a compliant manner.

### Financial Discussion

Pleasingly, the excitement and interest in the blockchain sector led to financial success for DigitalX shareholders. The Company is a profitable blockchain company on the ASX, reporting our maiden net profit of over \$USD2.5m. In addition to the profitability, prudent management of expenses and treasury led us to a strong financial position, with over \$USD10m in assets.

### Outlook

As our business has grown, management's vision has expanded alongside it. We believe our financial stability, technical expertise and track record operating compliantly and securely in the blockchain ecosystem, across several booms and downturns, provides a leading position ahead of competitors. We know we have more work to do to deliver on our mission of providing blockchain technology expertise to help innovative companies launch in global markets. We are going to methodically increase our global network and secure international partners to work with us and continue to work with industry bodies, such as the Australian Digital Commerce Association (ADCA), to promote blockchain technology adoption.

We are pleased to be opening a world-class Blockchain Centre in Western Australia before the end of the year and we also have a small office in Sydney supporting the asset management team. With a mix of seasoned financial professionals and crypto-asset and distributed ledger technology expertise, we are well placed to focus on STOs. We are excited by the opportunity to be a market leader in the booming<sup>1</sup> STO market and look forward to seeing our business grow as we progress this offering.

**Leigh Travers**  
Managing Director & CEO

<sup>1</sup> <https://www.nasdaq.com/article/security-tokens-set-to-take-center-stage-in-2019-cm982207>

## 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 year ended 30 June 2018. Information contained within this report and the financial report is presented in United States dollars (\$USD).

### Directors

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

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#### Mr Peter Rubinstein

Non-Executive Director &  
Chairman

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#### Term of Appointment

Appointed 15 September  
2017

#### Status

Non-Independent  
Non-Executive

#### Current Directorships

Genetic Technologies Limited  
Since January 2018

Blockchain Global Limited  
Since July 2015

#### Previous Directorships of Listed Entities within past 3

years  
None.

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#### Experience

Mr Peter Rubinstein has over 20 years' experience in early stage technology commercialisation through to public listings on the ASX. He is a lawyer by training, having worked at one of the large national firms prior to moving in house at Montech, the commercial arm of Monash University.

Mr Rubinstein has had significant exposure to the creation, launch and management of a diverse range of technology companies including in biotech, digital payments and renewable energy.

Peter is also Chairman of EasyPark ANZ an early adopter in the "Smart City" opportunities for digital parking.

#### Interests in shares and options held as at the date of the report

- 23,266,296 fully paid ordinary shares;
- 3,400,000 unlisted options exercisable at \$0.0324 each expiring on 18 September 2019; and
- 617,284 unlisted options exercisable at \$0.324 each expiring on 1 September 2020.

# DIGITAL X LTD

## 2018 ANNUAL REPORT



**Mr Leigh Travers**  
Managing Director &  
CEO

**Term of Appointment**  
Appointed 24 July 2017

**Status**  
Non-independent  
Executive

**Current Directorships**  
None

**Previous Directorships of  
Listed Entities within past 3  
years**  
None

**Mr Xue Samuel (“Sam”) Lee**  
Non-Executive Director

**Term of Appointment**  
Appointed 15 September  
2017

**Status**  
Independent  
Non-Executive

**Current Directorships**  
Genetic Technologies Limited  
*Since January 2018*

Blockchain Global Limited  
*Since June 2015*

**Previous Directorships of  
Listed Entities within past 3  
years**  
None

### Experience

Leigh Travers has enjoyed a decade of building relationships in financial and technology markets through his experience with Fintech and Investment Advisory companies. He is a current Director and Vice Chairman of the ADCA, the representative body for digital commerce businesses in Australia.

Mr Travers previously worked for seven years at Australian wealth management firm Euroz Securities as an Investment Advisor. His clients included high net worth, institutions and listed companies as he provided trading advice and assisted with company buybacks and sell downs and capital raising services.

Mr Travers holds a Bachelor of Commerce and Communications from the University of Western Australia and has completed a Fintech Certification from the Massachusetts Institute of Technology.

### Interests in shares and options held as at the date of the report

- 4,461,111 fully paid ordinary shares.

### Experience

Mr Sam Lee is the founder and CEO of Blockchain Global Ltd. Blockchain Global is a profitable Blockchain technology company with offices in Melbourne, New York, Kobe, Shanghai and Dalian. Since incorporation, Blockchain Global has, through its corporate accelerator program, made over 50 investments in companies leveraging Blockchain technology.

Mr Lee is a frequent interviewee on CNBC, BBC and Sky News and a panellist at the World Economic Forum, as well as at numerous Blockchain summits.

### Interests in shares and options held as at the date of the report

- 10,096,296 fully paid ordinary shares;
- 1,203,704 unlisted options exercisable at \$0.0324 each expiring on 8 September 2020;
- 1,400,000 unlisted options exercisable at \$0.0324 each expiring on 8 September 2019; and
- 2,800,000 unlisted options exercisable at \$0.0324 each expiring on 18 September 2020.

# DIGITAL X LTD

## 2018 ANNUAL REPORT



### Mr Toby Hicks

Independent Non-Executive Director  
Appointed 28 July 2017  
Resigned 7 September 2018

Mr Hicks is a Partner of Steinepreis Paganin Lawyers & Consultants with over 15 years' experience advising companies, both public and private, on matters relating to corporate governance, capital raisings, and mergers and acquisitions, as well as general commercial and strategic legal advice. He acts for a number of ASX listed companies.

Mr Hicks is not and has not been a director of any other ASX listed company for the previous three years.

### Interests in shares and options held as at the date of Mr Hicks' resignation

300,000 Fully Paid Ordinary Shares  
150,000 Unlisted Options exercisable at \$0.08 each expiring 10 February 2018

### Mr Faisal Khan

Independent Non-Executive Director  
Appointed 6 October 2016  
Resigned 23 November 2017

Mr Khan is a recognised global expert on remittance, banking, payments and FinTech. He is the owner of Faisal Khan & Company, a leading payments consultancy to Fortune 100 companies across the banking, FinTech and money transfer sectors. The firm provides advisory services in areas including architecture of cross-border payment networks, products and solutions, product/idea validation and cross-border transactions in the P2P, B2C and B2B space.

Mr Khan is not and has not been a director of any other ASX listed company for the previous three years.

No interests in shares and options held as at the date of Mr Khan's resignation.

### Company Secretary

Ms Shannon Coates has over 20 years' experience in corporate law and compliance. She is currently named company secretary to a number of public unlisted and listed companies, and has provided company secretarial and corporate advisory services to boards across a variety of industries, including financial services, manufacturing and technology both in Australia and internationally. Ms Coates is a qualified lawyer, Chartered Secretary and graduate of the AICD's Company Directors course.

Ms Shannon Coates was appointed Company Secretary of DigitalX on 8 December 2016.

### Principal activities

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

- ICO/STO Advisory;
- Blockchain consulting;
- Funds under management; and
- Media.

Refer to the [Operating and Financial Review](#) for further information about each of the activities.

### Environmental regulation

The Group is not subject to significant environmental regulation in respect of its operations. Where possible the Group endeavours to procure services from vendors who actively support and promote sustainability initiatives such as energy ratings, carbon initiatives and ethical supply chains.

### Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

- During the course of the financial year the Group's contributed equity increased by \$USD7,778,256 (from \$USD22,653,332 to \$USD30,431,588) as a result of shares issued for strategic placements, conversion of options and conversion of convertible notes during the year. The changes for the year are disclosed in Note F1. In addition to this the Group issued 55 convertible notes with a face value of \$AUD10,000 to raise \$AUD550,000. The details are disclosed in Note D6.
- As a result of the changes in equity noted above, the profitable operations for the year, and year on year increase in cryptocurrency prices, the Group's cash and digital asset position increased \$USD10,030,010 (from \$USD242,259 to \$USD10,272,569) positioning the Group with a much stronger financial position heading into the 2019 financial year.
- In addition to the above, the Group also announced the following significant changes and updates to the market during the financial year which contributed to the overall performance and position of the Group at the end of the financial year:

Date	Announcement	Impact <sup>1</sup>	Link <sup>2</sup>
10/04/2018	DigitalX enters joint venture with Multiplier for Coin.org	<a href="#">Investments</a>	<a href="#">Announcement</a>
10/04/2018	DigitalX opens funds under management division	<a href="#">Segment Note</a>	<a href="#">Announcement</a>
6/03/2018	DigitalX corporate advisor to two ICOs with global markets	<a href="#">Revenue</a>	<a href="#">Announcement</a>
26/02/2018	DigitalX appointed Blockchain Consultant to TTL	<a href="#">Revenue</a>	<a href="#">Announcement</a>
4/12/2017	DigitalX appointed corporate advisor for two ICOs	<a href="#">Revenue</a>	<a href="#">Announcement</a>
30/11/2017	DigitalX named corporate advisor to high profile ICOs	<a href="#">Revenue</a>	<a href="#">Announcement</a>
23/11/2017	Board Changes	<a href="#">Directors' Report</a>	<a href="#">Announcement</a>
4/10/2017	DigitalX to act as strategic adviser to Power Ledger ICO	<a href="#">Revenue</a>	<a href="#">Announcement</a>
19/09/2017	DigitalX signs corporate advisory engagement with Etherparty	<a href="#">Revenue</a>	<a href="#">Announcement</a>
15/09/2017	Capital raising completion and appointment of new Directors	<a href="#">Equity</a>	<a href="#">Announcement</a>
30/08/2017	Bitcoin investment received from Blockchain Global	<a href="#">Equity</a>	<a href="#">Announcement</a>
29/08/2017	DigitalX Appointed to Bankera ICO	<a href="#">Revenue</a>	<a href="#">Announcement</a>

<sup>1</sup>Refer to the relevant section of the Report for the impact of the change.

<sup>2</sup>Refer to ASX announcement for full details.

### Dividends

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

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

#### Subsequent events

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years other than those set out below.

Date of event	Details of event
5 July 2018	On 5 July 2018, 1,000,000 Tranche 2 Performance Rights converted on achievement of vesting conditions, as approved by shareholders on 23 November 2017.
17 July 2018	On 17 July 2018, the Group signed a 5 year lease for commercial premises, the total commitment excluding rent abatements is \$AUD808,125.
7 August 2018	On 7 of August 2018, 3,086,420 Shares were issued on exercise of 3,086,420 Unlisted Options, exercisable at \$0.0324 and expiring 8 September 2020.
29 August 2018	On 29 August 2018, DigitalX entered into an agreement to purchase \$AUD250,000 of YPB via convertible notes at \$0.018. DigitalX is also entitled to 1:1 options when the convertible notes are exercised at \$0.026 and 10% of all YPB tokens. DigitalX is entitled to various fees from services which are detailed into the announcement.
30 August 2018	On 30 August 2018, 85,185,185 shares were released from escrow.
7 September 2018	On 7 September 2018, Mr Toby Hicks retired as a Non-Executive Director.
18 September 2018	DigitalX has established a joint venture company, Future ICO Pty Ltd (Future ICO) with Blockchain Global Ltd and Big Start Pty Ltd to develop and operate the platform. The platform is designed to provide a seamless way for ICO applicants and ICO issuers to interact under a compliant framework.
18 September 2018	On 18 September 2018, 19,737,295 Shares and 8,800,000 Incentive Options were issued on exercise of 44 convertible notes with a face value of \$10,000 each, converting to Shares at \$0.027 per share.
28 September	On 28 September the Company announced that it had been served with an Originating Application and Statement of Claim in the Federal Court of Australia filed by a group of parties relating to an investment made by those parties in an initial coin offering to which the Company was an advisor. While the Company and its legal advisors continue to review and examine the claims made, the Company denies any claim of wrongdoing and, for reasons that will become apparent as this matter progresses, believes that it has strong grounds to defend any claims brought forward by these applicants. As such, the Company intends to vigorously defend this matter and protect the reputation of the Company. The claim is for a combined amount of approximately US\$1,833,077 plus damages.
28 September 2018	Due to the volatile nature and the materiality of the digital assets held, we disclose the value of digital assets held by the Group, excluding the DigitalX Fund, as at the close date of the 25 September 2018.

Coin Symbol	Coin Amount	\$USD Spot Price	\$USD Balance
BTC	433.25	\$6,429	\$2,785,377
Alt-coins	-	-	\$165,697
<b>Total</b>	<b>-</b>	<b>-</b>	<b>\$2,951,074</b>

## OPERATING & FINANCIAL REVIEW

### Operating results

DigitalX is pleased to report the consolidated profit attributable to members of the group after providing for income tax amounted to \$USD 2,595,834 (2017: loss of \$USD3,973,761).

With the Group well-funded in the early part of the financial year, the management team focused on bringing new services to market that would position the Group as a leading service provider for the blockchain and cryptoasset industry over the medium term. The four service lines the Group operates are Initial Coin Offering (ICO) and Security Token Offering (STO) advisory, funds management, blockchain consulting and Coincast Media's marketing and education arm.

The Group is pleased to have successfully navigated an extremely volatile market with a focus on increasing its profile in the industry, increasing assets on the balance sheet and by delivering a maiden full year profit for shareholders.

### ICO/STO Advisory

DigitalX commenced ICO advisory services in August 2017 and quickly established an extremely strong record of delivering high quality services to clients. The Group provided advisory services to projects that raised in excess of \$AUD500m during the period.

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

The technical services typically included a crypto-economic review of the businesses token model, review of product at launch and review of smart contracts utilised in the ICO process.

The marketing and promotional services were guided by our marketing partners across cryptocurrency and mainstream media. This enabled our clients to be featured in some of the world's highest profile media across print, digital and television. DigitalX and our marketing partners created high quality content, including videos that were published and shared more than half a million times across mainstream news and social media networks and later formed the basis of our learnings for the new business of Coincast Media.

We have generated value for our ICO clients by introducing them to high-net-worth cryptocurrency investors and digital currency exchanges. As the world's first publicly listed Blockchain company and with a team that has been involved in the entire Blockchain ecosystem including mining, trading and Blockchain development, DigitalX has an enviable network.

### Blockchain consulting

DigitalX continued to provide services to a small number of groups during the year with highlights including publicly listed clients and a tier 1 global energy firm. DigitalX is currently tailoring an offering to deliver an introduction to Blockchain technology, with proof of concept, to ensure clients can receive validation for adopting the technology at a rapid rate.

### Funds under management

In April 2018, the Group announced the opening of the funds under management division, DigitalX Investments, to give high net worth and institutional investors access to a portfolio of cryptoassets. DigitalX's first fund invests predominantly in the leading cryptocurrencies, with a smaller allocation towards special trading opportunities including ICOs. The fund outperformed the top 10 index during the period and is well placed to attract further interest from sophisticated investors, family offices and institutions looking to gain access to the asset class.

The funds management team has developed extensive research on the marketplace as well as detailed research notes on individual assets within the fund. The fund is planning a large-scale marketing effort in the coming quarter.

Funds management personnel had extensive engagement with prospective partners and regulators in two major investment fund jurisdictions, Panama and Malta, as the Group considers opportunities to expand its funds management division into the international market.

# DIGITAL X LTD

## 2018 ANNUAL REPORT



### Coincast Media

Coincast Media is a new cryptocurrency [business news website](#) and online cryptocurrency education platform and television show. Coincast Media generated revenue of more than \$AUD200,000 for the June 2018 quarter and a modest profit. Coincast Media's digital assets are quickly attracting interest with over half a million digital impressions and the team has been attracting major interest at conferences. The Coincast TV program has successfully launched to provide mainstream media coverage for exciting blockchain businesses. The TV show's revenue will be generated through a mix of corporate sponsorships and sponsored content.



### Future developments

After successfully scaling up our team, DigitalX is continuing to consider ways to expand our business verticals by building on our strong position as a leader in the Blockchain space.

At the end of the 2018 Financial Year, having delivered its maiden full year net profit, DigitalX now sits in a strong position to continue to grow its business arms with the aim of expanding on its results over this year.

## REMUNERATION REPORT (AUDITED)

### Message from the Board of Directors

The Directors are pleased to present this Remuneration Report, which forms part of the Directors' Report for the financial year ended 30 June 2018.

The Directors note that Executive and KMP remuneration continues to be an area that receives stakeholder focus and scrutiny, as such the report has been structured with an attempt to provide transparency and clarity to readers around the framework, policies and remuneration of DigitalX Limited's Directors and its Executives.

The report has been set out under the following main headings:

- A.** Key Management Personal
- B.** Remuneration policy including elements of remuneration
- C.** Key terms of employment contracts
- D.** Relationship between the remuneration policy and company performance
- E.** Remuneration of Directors and executives
- F.** Share based payments granted
- G.** Related Party Transactions
- H.** Future changes
- I.** Definitions

The information provided in this remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

### A. KEY MANAGEMENT PERSONNEL

The Key Management Personnel ("KMP") of the Group consist of the Board and Executives. This is the case due to the size and scale of the Group's current operations. All the named persons held their current position for the whole or part of the financial year and since the end of the financial year unless otherwise stated.

KMP	Position	Status	Term as KMP
Peter Rubenstein	Chairman and Non-Executive Director	Non-Executive KMP	From 15 Sep 2017
Sam Lee	Non-Executive Director	Non-Executive KMP	From 15 Sep 2017
Toby Hicks <sup>1</sup>	Non-Executive Director	Non-Executive KMP	Full Year
Faisal Khan	Non-Executive Director	Non-Executive KMP	To 23 Nov 2017
Leigh Travers	Managing Director and Chief Executive Officer	Executive KMP	Full Year
Neel Krishnan	President	Executive KMP	Full Year

<sup>1</sup> Toby Hicks resigned 7 September 2018.

### B. REMUNERATION POLICY

For the year ended 30 June 2018 the Board as a whole determined and reviewed compensation arrangements for the Executive Directors and where applicable the Executive Team. The Board assessed the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality team. The objective of the Company's remuneration framework was to ensure reward for performance was competitive and appropriate to the results delivered.

*The Board aims to ensure that executive rewards satisfied the following key criteria for good reward governance practices:*

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linked;
- Transparency; and
- Capital management.

## ELEMENTS OF REMUNERATION

### Base pay

Directors and Executives are offered a competitive base salary and participation in the bonus pool. Base pay for executives is reviewed annually by the Board to ensure that executive's pay is competitive with the market, and is also reviewed upon promotion or additional responsibilities.

There is no guarantee of base pay increases fixed in any executive or Director contracts.

### Commission

There is no entitlement to commissions based remuneration.

### Short term incentives (STI)

#### *Managing Director*

To align the remuneration of the Managing Director and the performance of the Company, the Managing Director is issued STI in the form of performance rights that vest on the achievement of certain performance hurdles. The STI for the year ended 30 June 2018 were approved by shareholders at the Annual General Meeting held on 27 November 2018.

#### *Staff*

For the purpose of incentivising and tying the rewarding of the Company's staff to the performance of the Company, the Board has determined that it may, at its discretion, issue shares from time to time as a reward.

### Long term incentives (LTI)

There were no LTI issued for the year ended 30 June 2018.

### Performance Metrics

At the 2017 AGM the Board set the following performance metrics for 30 June 2018 year for the Managing Director as part of the issue of 3,000,000 performance rights (STI). The table below sets out the performance against those metrics.

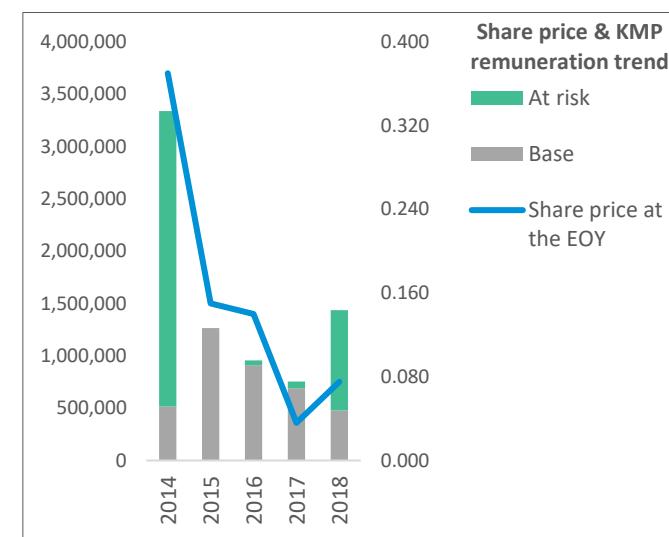
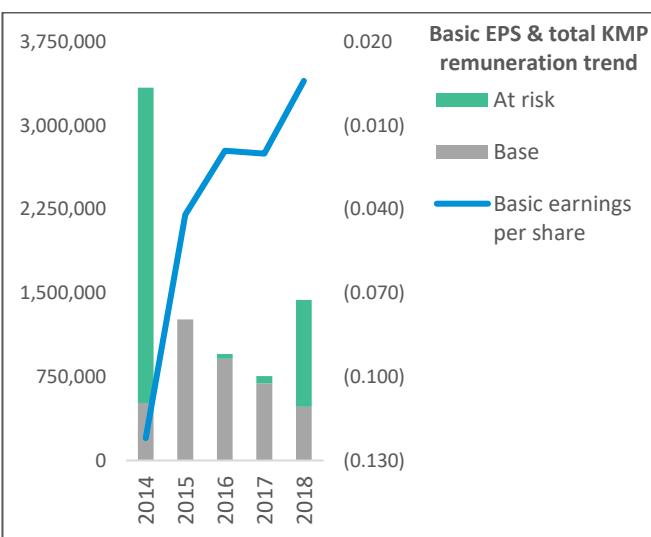
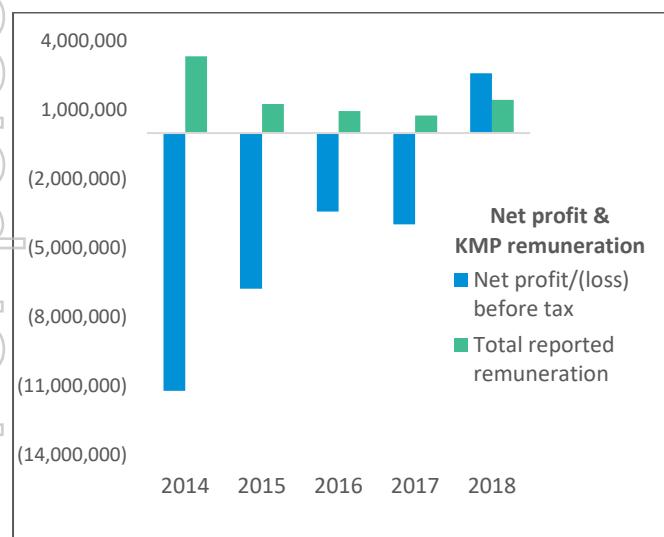
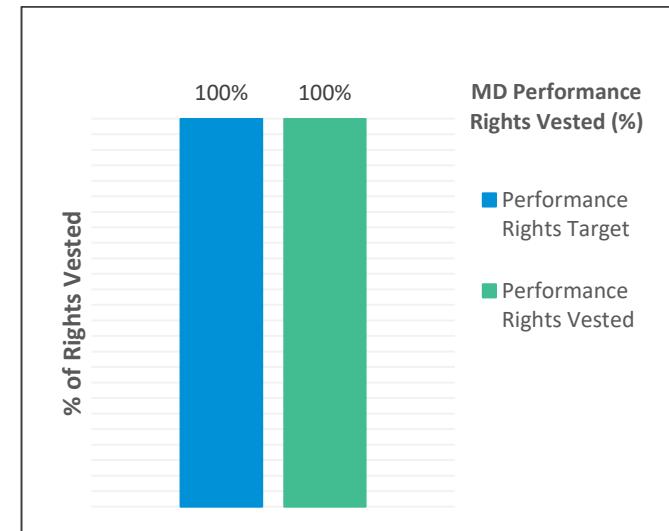
Metric	Met?
Complete 5 ICO advisory engagement	
Generate \$5m gross revenue	
5 day VWAP greater than \$0.10 per share	

### C. RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

As noted in Sections A & B, the Board seeks to align the interests of the Executive Team with those of the shareholders when setting future short and long-term benefits. For the year ended 30 June 2018 the total remuneration is reflective of the remuneration strategy as noted above, this is evident from the relationship between:

- The composition of base and at risk components of remuneration being weighted toward at risk compensation for 100% achievement of the performance hurdles for the Managing Director set at the 2017 AGM, execution of strategy in building new and diversified revenue streams, and the Group's maiden profit of \$2.595m.
- The award of at risk component linked to increased share price year on year (108% increase) and positive earnings per share growth and maiden profit per share.

The Company is not yet at stage of its development where it considers benchmark returns against an ASX peer group (Blockchain and cryptocurrency focussed) relevant based on limited inclusions and comparable data.



## RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE – FIVE YEAR DATA TABLE

The table below includes the remuneration and performance data from the preceding five (5) financial years used to analyse the linkage between remuneration and performance in the section above.

	30 June 2014 \$USD	30 June 2015 \$USD	30 June 2016 \$USD	30 June 2017 \$USD	30 June 2018 \$USD
Revenue & other income from all operations	4,409,335	36,600,025	40,403,656	8,041,026	9,905,859 <span style="color: green;">↑</span>
Net profit/(loss) before tax	(11,216,375)	(6,769,719)	(3,417,305)	(3,973,961)	2,595,834 <span style="color: green;">↑</span>
Total reported in remuneration report	3,340,152	1,264,620	955,292	755,980	1,437,838 <span style="color: red;">↑</span>
Remuneration - Base	515,025	1,264,620	910,725	691,496	479,860 <span style="color: green;">↓</span>
Remuneration - At risk	2,825,127	- <sup>1</sup>	44,567	64,484	957,978 <span style="color: red;">↑</span>
Basic earnings/(loss) per share	(0.122)	(0.042)	(0.019)	(0.020)	0.006 <span style="color: green;">↑</span>
Diluted earnings/(loss) per share	(0.122)	(0.042)	(0.019)	(0.020)	0.005 <span style="color: green;">↑</span>
Share Price at the start of year	0.050	0.370	0.150	0.140	0.036 -
Share price at the end of year	0.370	0.150	0.140	0.036	0.075 <span style="color: green;">↑</span>
Final dividend	-	-	-	-	-

<sup>1</sup> At risk remuneration for the year ended 30 June 2015 not shown as the amount was negative due to the reversal of the share based payment expense for that year.

## C. KEY TERMS OF EMPLOYMENT CONTRACTS

### Executives

#### Mr Leigh Travers

Managing Director & CEO

Under an Executive Employment Agreement entered into between Mr Travers and DigitalX, Mr Travers is appointed as Chief Executive Officer, in effect from 28 November 2017. The employment will be ongoing until it is terminated in accordance with Mr Travers' Executive Employment Agreement. The employment may be terminated by either party giving 6 months' written notice (although less than 6 months' notice is required by DigitalX in certain circumstances such as Mr Travers' illness, absence, material breaches or misconduct in which case Mr Travers will not be entitled to receive any payment in lieu or compensation as set out below). On termination of his employment and where DigitalX elects to make payment in lieu of notice, the Company must pay Mr Travers a payment equal to his salary for the remainder of the notice period. Mr Travers will be under restraint and non-solicitation clauses for up to 24 months after the termination of his employment.

Mr Travers' salary is \$AUD195,000 per annum (inclusive of mandatory social security payments including superannuation) subject to annual salary reviews and his reasonable expenses will also be paid by the Company.

Under all of the Employment Agreements above, DigitalX, in its absolute discretion acting reasonably, can assign and transfer the employment to any of DigitalX's Related Bodies Corporate.

#### Mr Neel Krishnan

President

Under an Executive Employment Agreement entered into between Mr Krishnan and DigitalX, Mr Krishnan was appointed as President of DigitalX, in effect from 28 November 2016. The employment will be ongoing until it is terminated in accordance with Mr Krishnan's Employment Agreement. The employment may be terminated by either party giving 1 months' written notice (although less than 1 months' notice is required by DigitalX in certain circumstances such as Mr Krishnan's illness, absence, material breaches or misconduct in which case Mr Krishnan will not be entitled to receive any payment in lieu or compensation as set out below). On termination of his employment and where DigitalX elects to make payment in lieu of notice, the Company must pay Mr Krishnan a payment equal to his salary for the remainder of the notice period. Mr Krishnan will be under restraint and non-solicitation clauses for up to 12 months after the termination of his employment.

Mr Krishnan's salary is \$USD148,000 per annum (inclusive of mandatory social security payments including superannuation) subject to annual salary reviews and his reasonable expenses will also be paid by the Company.

Under all of the Employment Agreements above, DigitalX, in its absolute discretion acting reasonably, can assign and transfer the employment to any of DigitalX's Related Bodies Corporate.

### Non-Executive Directors

Non-Executive Directors remuneration arrangements include compensation in the form of annual Directors' fees in accordance with their relevant service agreement. The Non-Executive Directors from time to time may receive incentive compensation in the form of share based payments (as approved by Shareholders).

For the year ended 30 June 2018, all Non-Executive Directors received a base fee of \$AUD50,000 inclusive of entitlements. There were no additional fees payable for special responsibilities or committees.

Amounts payable to Director controlled entities for services provided by Directors for the year ending 30 June 2018 is detailed in the following table of this report. The Group may carry out consulting activities with the Directors on an arm's length basis in the normal course of business.

#### D. REMUNERATION OF DIRECTORS AND EXECUTIVES

The compensation for each Director and executive for the period is contained in the following table:

Year ended 30 June 2018

Name	Short-term employee benefits			Post-employment benefits	Share-based payment	Total	At Risk %
	Salary & Fees \$USD	Director Fees \$USD	Other Benefits <sup>2</sup> \$USD				
<b>Non-Executive Directors</b>							
Peter Rubinstein	-	25,625	-	-	-	25,625	-
Sam Lee	-	22,453	-	-	-	22,453	-
Toby Hicks	-	41,914	-	-	152,420	194,334	78.4%
Faisal Khan	-	15,788	-	-	10,857	26,645	40.7%
<b>Executive Directors</b>							
Leigh Travers	133,909	-	69,399	12,721	702,133 <sup>4</sup>	918,162	76.5%
<b>Other KMP</b>							
Neel Krishnan	126,125	-	18,683	13,243	92,568	250,619	36.9%
<b>Total</b>	<b>260,034</b>	<b>105,780</b>	<b>88,082</b>	<b>25,964</b>	<b>957,978</b>	<b>1,437,838</b>	<b>66.6%</b>

<sup>1</sup> Amount paid in Australian Dollars are converted to United States Dollars at 0.7714.

<sup>2</sup> Other benefits includes tokens from Initial Coin Offerings (ICOs) distributed to KMP and staff.

<sup>3</sup> Superannuation or equivalent (i.e 401k, social security).

<sup>4</sup> Included in the total is an amount of \$USD534,813 relating to the share based payment expense for performance rights issued.

<sup>5</sup> Refer to Sections E & F of the Remuneration Report for additional details.

Year ended 30 June 2017

Name	Short-term employee benefits		Post-employment benefits		Share-based payments		Total
	Salary & Fees \$USD	Director Fees \$USD	Consulting Fees \$USD	Superannuation \$USD	Shares, options and performance rights <sup>13</sup> \$USD		
Leigh Travers <sup>2</sup>	110,760 <sup>1</sup>	-	-	5,716 <sup>1</sup>	-	-	116,476
Toby Hicks <sup>3</sup>	-	41,445	-	-	-	-	41,445
Peter Rubinstein <sup>4</sup>	-	-	-	-	-	-	-
Sam Lee <sup>5</sup>	-	-	-	-	-	-	-
Faisal Khan <sup>6</sup>	-	18,750	-	-	-	-	18,750
Neel Krishnan <sup>7</sup>	155,267	-	-	-	-	-	155,267
Zhenya Tsvetnenko <sup>8</sup>	8,475 <sup>1</sup>	-	-	805 <sup>1</sup>	-	-	9,280
Alex Karis <sup>9</sup>	121,407	-	-	-	-	-	121,407
William Brindise <sup>10</sup>	88,118	-	-	-	56,262	144,380	
Fabricio Rodriguez <sup>11</sup>	136,506	-	-	-	10,222	146,728	
Brett Mitchell <sup>12</sup>	-	2,247	-	-	-	-	2,247
<b>Total</b>	<b>620,533</b>	<b>62,441</b>	<b>-</b>	<b>6,521</b>	<b>64,484</b>	<b>755,980</b>	

<sup>1</sup> Amount paid in Australian Dollars are converted to United States Dollars at 0.75.

<sup>2</sup> Leigh Travers was appointed effective 24 July 2016.

<sup>3</sup> Toby Hicks was appointed effective 28 July 2016.

<sup>4</sup> Peter Rubinstein was appointed effective 15 September 2017.

<sup>5</sup> Sam Lee was appointed effective 15 September 2017.

<sup>6</sup> Faisal Khan was appointed effective 6 October 2016.

<sup>7</sup> Neel Krishnan was appointed effective 1 December 2016.

<sup>8</sup> Zhenya Tsvetnenko resigned effective 24 July 2016.

<sup>9</sup> Alex Karis resigned effective 23 December 2016.

<sup>10</sup> William Brindise resigned effective 1 December 2016.

<sup>11</sup> Fabricio Rodriguez resigned effective 31 May 2017.

<sup>12</sup> Brett Mitchell resigned effective 24 July 2016.

<sup>13</sup> Refer to Sections E & F of the Remuneration Report for additional details.

## E. SHARE OPTIONS AND PERFORMANCE RIGHTS GRANTED TO DIRECTORS

Name	Options <sup>2</sup>			Performance Rights			
	2018	Opening balance	Movement for the period	Closing balance	Opening balance	Movement for the period	Closing balance
Toby Hicks		150,000	(150,000) <sup>3</sup>	-	-	-	-
Leigh Travers		250,000	(250,000) <sup>4</sup>	-	-	1,000,000 <sup>1</sup>	1,000,000
<b>Total</b>		<b>400,000</b>	<b>(400,000)</b>	-	-	<b>1,000,000</b>	<b>1,000,000</b>

<sup>1</sup> Leigh Travers was issued 3 tranches (3,000,000 at a value \$AUD0.235 per right) of performance rights based on the terms and conditions set out in the notice of meeting. During the year the performance hurdle for all 3 tranches were satisfied but due to timing of the final tranche being issued only 2,000,000 performance rights vested (66%) were issued during the year ended 30 June 2018. At 30 June 2018, 1,000,000 rights remain unvested, the final tranche of shares was issued on 3 July 2018.

<sup>2</sup> 100% of the options from the prior year received as remuneration were exercised in the current year, there were no unvested and unexercised options at 30 June 2018.

<sup>3</sup> On 2 February 2018, 150,000 options were exercised at \$AUD0.08 per share. The value of the shares received were \$AUD0.245 per share.

<sup>4</sup> On 16 February 2018, 250,000 options were exercised at \$AUD0.08 per share. The value of the shares received were \$AUD0.28 per share.

Name	Options			Class A Performance Rights			Class B Performance Rights			
	2017	Opening balance	Movement for the period	Closing balance	Opening balance	Movement for the period	Closing balance	Open balance	Movement for the period	Closing balance
Leigh Travers	-	250,000	250,000	-	-	-	-	-	-	-
Toby Hicks	-	150,000	150,000	-	-	-	-	-	-	-
Zhenya Tsvetnenko	-	-	-	-	-	-	-	3,893,883	(3,893,883)	-
Alex Karis	-	-	-	-	-	-	-	1,986,031	(1,986,031)	-
William Brindise	-	-	-	-	-	-	-	1,147,705	(1,147,705)	-
Brett Mitchell	300,000	(300,000)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>300,000</b>	<b>100,000</b>	<b>400,000</b>	-	-	-	-	<b>7,027,619</b>	<b>(7,027,619)</b>	-

The Class B Performance Rights are unvested and lapsed on 1 July 2016 as the performance hurdle was not met and the unlisted options have expired and lapsed on 30 June 2017.

## F. SHAREHOLDINGS OF DIRECTORS

Directors	Opening Balance 1 July 2017	Granted as Compensation	Conversions & Vesting	Net Other Changes <sup>1</sup>	Closing Balance 30 June 2018
Peter Rubinstein	-	-	23,403,704 <sup>4</sup>	(6,933,704)	16,470,000
Sam Lee	-	-	-	4,911,111	4,911,111
Toby Hicks	300,000	1,000,000 <sup>2</sup>	150,000	(650,000)	800,000
Faisal Khan	-	250,000	-	(250,000)	-
Leigh Travers	811,111	1,500,000 <sup>2,3</sup>	2,250,000 <sup>5</sup>	(1,300,000)	3,261,111
<b>Total</b>	<b>1,111,111</b>	<b>2,750,000</b>	<b>23,783,704</b>	<b>(2,992,593)</b>	<b>24,652,222</b>

<sup>1</sup> Net changes includes initial holdings, final holdings and on-market sales as reported to the market per the respective Appendix 3X, 3Y, and 3Z.

<sup>2</sup> 1,000,000 shares each issued to Messrs Travers and Hicks at a fair value of \$AUD0.20 per share, as approved by Shareholders on 23 November 2017.

<sup>3</sup> 500,000 shares issued at a fair value of \$AUD0.04 per share approved by the Board of Directors.

<sup>4</sup> Conversions relate to options received as part of convertible note entered into prior to becoming a Director.

<sup>5</sup> Included in the total is 2,000,000 shares received on vesting of performance rights and 250,000 shares on exercise of options noted in Section E above.

Directors	Opening Balance 1 July 2016	Granted as Compensation	Conversions & Vesting	Net Other Changes	Closing Balance 30 June 2017
Leigh Travers	311,111	-	-	500,000	811,111
Toby Hicks	-	-	-	300,000	300,000
Peter Rubinstein	-	-	-	-	-
Sam Lee	-	-	-	-	-
Faisal Khan	-	-	-	-	-
Zhenya Tsvetnenko <sup>1</sup>	43,016,201	-	-	(43,016,201)	-
Alex Karis <sup>2</sup>	20,514,200	-	-	(16,517,742)	3,996,458
William Brindise <sup>3</sup>	12,549,897	1,466,888	-	-	14,016,785
Brett Mitchell <sup>4</sup>	62,879	-	-	(62,879)	-
<b>Total</b>	<b>76,454,288</b>	<b>1,466,888</b>	<b>-</b>	<b>(58,796,822)</b>	<b>19,124,354</b>

<sup>1</sup> Zhenya Tsvetnenko resigned effective 24 July 2016.

<sup>2</sup> Alex Karis resigned effective 23 December 2016.

<sup>3</sup> William Brindise resigned effective 1 December 2016.

<sup>4</sup> Brett Mitchell resigned effective 24 July 2016.

## G. RELATED PARTY TRANSACTIONS

### Year ended 30 June 2018

- During the financial year 2,546,000 unlisted options exercisable at \$AUD0.08, expiring on 30 June 2018, lapsed unexercised.
- During the year, the Group paid Steinepreis Paganin, a law firm of which former Non-Executive Director Toby Hicks is a partner, \$AUD116,607 for legal services rendered on various matters. At 30 June 2018, the Group owed \$AUD2,545 to Steinepreis Paganin.
- During the year, the Group recognised an expense and paid Blockchain Global Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein and Non-Executive Director Sam Lee, \$USD469,623 for services related to initial coin offerings. At 30 June 2018, no amounts were owed to Blockchain Global Ltd.
- During the year, Mars Capital Australia Pty Ltd, a company controlled by Non-Executive Director Sam Lee, was issued 14 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, as approved by Shareholders on 25 August 2017. Each convertible note was entitled to 100,000 incentive options, exercisable at \$AUD0.0324 and expiring 8 September 2019. During the year, \$AUD11,737 of interest was paid, and recognised as an expense, on the convertible notes held. At 30 June 2018, the Group owed \$AUD5,236 to Mars Capital Australia Pty Ltd for unpaid interest.
- During the year, Irwin Biotech Nominees Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, was issued 17 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, as approved by Shareholders on 25 August 2017. Each convertible note was entitled to 100,000 incentive options, exercisable at \$AUD0.0324. During the year, \$AUD16,422 of interest was paid, and recognised as an expense on the convertible notes held. At 30 June 2018, the Group owed \$AUD6,357 to Irwin Biotech for unpaid interest.
- During the year, Rip Opportunities Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, was issued 10 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD 0.027 each, as approved by Shareholders on 25 August 2017. Each convertible note was entitled to 100,000 incentive options, exercisable at \$AUD 0.0324 and expiring 14 September 2019. Convertible notes have been converted during the year. During the year, \$AUD2,589 of interest was paid on the convertible notes held. At 30 June 2018, no amounts were owed to Rip Opportunities Pty Ltd as the notes have been converted during the year.
- During the year, the Group paid Value Admin Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, \$USD22,231 as part of Non-Executive Director fees.

### Year ended 30 June 2017

- During the financial year 8,349,517 unlisted options exercisable at \$AUD0.286, expiring on 30 June 2018, lapsed unexercised.
- The financial effect of the options being forfeited is a credit to the accumulated losses in the current financial year of \$AUD642,360 based on the fair value of the options being initially accounted for at \$AUD0.18 cents.
- DigitalX Limited paid Mpire Media Pty Ltd (a company controlled by former Director Zhenya Tsvetnenko) \$AUD1,010 for the reimbursement of office rent, computer, telephone and offices supplies incurred by the consolidated group. The consolidated group shares an office with Mpire Media Pty Ltd in Perth, Western Australia.
- Digital CC Holdings Pty Limited paid Karis Holdings Inc (a company controlled by former Director Alex Karis) \$USD30,226 for the reimbursement of office rent, computer and offices supplies, legal expenses incurred by the consolidated group, domain names, telephone and administration staff reimbursements for the personnel in the Boston office. The consolidated group shares an office with Karis Marketing Group in Boston, Massachusetts and these costs incurred by the consolidated group were charged through Karis Holdings Inc.
- Digital CC Limited paid Sibella Capital Pty Ltd (a company controlled by former Director Brett Mitchell) \$AUD3,000 as part of non-executive director fees.
- Digital CC USA LLC extended a \$USD250,000 credit facility at 1.25% interest rate to Karis Holdings Inc, with \$USD156,061 being drawn down during the prior financial year, of which \$USD152,000 was repaid during the year.

## H. FUTURE REMUNERATION DEVELOPMENTS

### Future Remuneration Developments

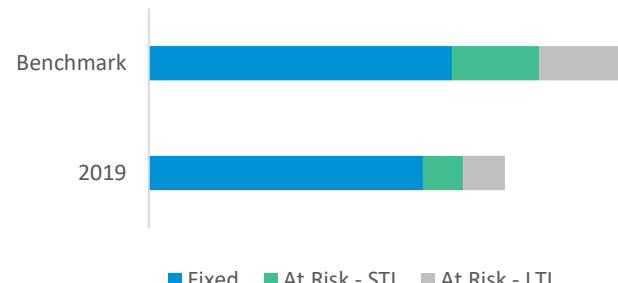
The Directors note at last year's Annual General Meeting the Remuneration Report passed unanimously on a show of hands and there were no comments on the Remuneration Report.

However, the Directors note recent trends and concerns raised by investors in general around remuneration policies and practices of public companies. With this in mind the Group has commenced an independent remuneration review with remuneration consultant, Crichton + Associates, to review the Group's remuneration framework. As a result, a new framework is being developed, as set out in the following page, with the view to being finalised prior to the 2018 AGM.

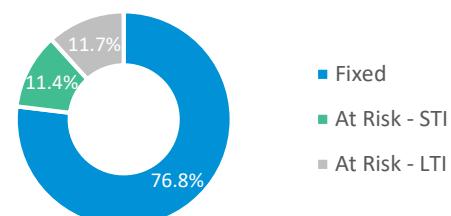
The Group notes in the interim report received that the actual remuneration proposed by the consultant was approximately 34% higher than the total annual remuneration (TAR) proposed predominantly due to a lower STI and LTI dollar component.

No remuneration recommendations were adopted for the year ended 30 June 2018

### TAR - DigitalX vs Benchmark



### TAR by component (%)



## DIGITALX LTD (DCC) EXECUTIVE REMUNERATION STRATEGY

An appropriate balance of fixed and at risk components

Attract, motivate and retain executive talent required at stage of development

The creation of reward differentiation to drive performance culture/behaviours

Shareholder value creation through equity incentives that meet contemporary design

### Total Targeted Remuneration (TTR)

*TTR is set by reference to the relevant targets and market benchmarks*

#### Fixed

Total Fixed Remuneration (TFR)

Fixed remuneration is set on relativities reflecting responsibilities, performance, qualifications & experience

#### At Risk

Short Term Incentive (STI)

A new STI policy is under consideration but aims to align rewards with performance culture

Long Term Incentive (LTI)

Allocations in the past have been one off and ad-hoc. A new LTI policy is under consideration designed to align with shareholder value creation and contemporary standards

### Remuneration will be delivered as

Base salary plus any allowances (including superannuation, pension, or relevant statutory entitlements).

STI will be paid and/or vest on achievement of the performance hurdle and completion of the relevant performance period.

Annual LTI allocations be considered under the new LTI policy being considered.

### Strategic Intent & Marketing Positioning

TFR in the early stages will be positioned between 25<sup>th</sup> percentile and the median compared to relevant market data considering expertise and performance in the role and will be reassessed as the Group develops.

Performance incentive is directed to achieve key strategic and financial targets. TFR + STI opportunity is intended to be positioned in the 3<sup>rd</sup> quartile (Median to 75<sup>th</sup>) of relevant benchmark reference group.

LTI is intended to provide a reward for 'out performance' and align executives with shareholder interests. LTI opportunity to be positioned at the top of the 3<sup>rd</sup> quartile.

### Total Targeted Remuneration (TTR)

TTR is intended to be positioned in the 3<sup>rd</sup> quartile (Median to 75<sup>th</sup>) compared to relevant market based comparisons. 4<sup>th</sup> quartile TTR should only be achieved/targeted if demonstrable outperformance against key strategic and financial targets is achieved by DigitalX and the relevant executive.

## I. DEFINITIONS

### **Key management personnel**

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

### **Remuneration of an officer or employee of a corporation**

A benefit given to an officer or employee of a corporation is remuneration if and only if the benefit, were it received by a director of the corporation, would be remuneration of the director for the purposes of an accounting standard that deals with disclosure in companies' financial reports of information about directors' remuneration.

### **Remuneration committee**

A committee of the board of directors of the company; and has functions relating to the remuneration of key management personnel for the company.

### **Remuneration consultant**

A person:  
who makes a remuneration recommendation under a contract for services with the company to whose key management personnel the recommendation relates; and  
who is not an officer or employee of the company.

### **A remuneration recommendation**

a recommendation about either or both of the following:

- a) for one or more members of the key management personnel for a company;
  - i. how much the remuneration should be;
  - ii. what elements the remuneration should have; or
- b) a recommendation or advice about a matter or of a kind prescribed by the regulations.

*ASIC may by writing declare that s.9B(1) of the Corporations Act 2001 above does not apply to a specified recommendation or specified advice, but may do so only if ASIC is satisfied that it would be unreasonable in the circumstances for the advice or recommendation to be a remuneration recommendation. The declaration has effect accordingly. The declaration is not a legislative instrument.*

### What is not a remuneration recommendation?

None of the following is a remuneration recommendation (even if it would otherwise be covered by subsection (1)):

- advice about the operation of the law (including tax law);
- advice about the operation of accounting principles (for example, about how options should be valued);
- advice about the operation of actuarial principles and practice;
- the provision of facts
- the provision of information of a general nature relevant to all employees of the company;
- a recommendation, or advice or information, of a kind prescribed by the regulations.

### **AGM**

means an annual general meeting of a company that section 250N requires to be held.

## END OF AUDITED REMUNERATION REPORT

### Directors' Meetings

During the current financial period, the Board decided that given the size and scale of operations, that the full Board undertakes the roles undertaken by Audit and Risk Committee, Remuneration Committee and Nomination Committee.

The Directors attendances at Board meetings held during the year were:

Director	Board Meetings	
	Number eligible to attend	Number attended
Peter Rubinstein <sup>1</sup>	7	7
Sam Lee <sup>2</sup>	7	7
Toby Hicks	9	9
Faisal Khan <sup>3</sup>	3	2
Leigh Travers	9	9

<sup>1</sup> Peter Rubinstein was appointed effective 15 September 2017.

<sup>2</sup> Sam Lee was appointed effective 15 September 2017.

<sup>3</sup> Faisal Khan resigned effective 23 November 2017.

### Shares under option

As at the date of this report, there are 48,571,953 options to subscribe for unissued ordinary shares in the Company, comprising:

Date options granted	Vesting Date	Option class	Exercise price of options	Expiry date of options	Number of shares under option
1 September 2017	-	Unlisted	\$0.0324	1 September 2019	100,000
30 August 2018	-	Unlisted	\$0.0324	30 August 2020	24,691,358
1 September 2018	-	Unlisted	\$0.0324	1 September 2020	6,172,840
8 September 2018	-	Unlisted	\$0.0324	8 September 2020	6,107,755
8 September 2017	-	Unlisted	\$0.0324	8 September 2019	2,700,000
18 September 2018	-	Unlisted	\$0.0324	18 September 2020	8,800,000

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or any other body corporate or registered scheme.

### Shares issued on exercise of options

During the Financial year and to the date of this report the Company issued 89,136,174 Ordinary Shares, on exercise of options.

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Date	Details	Issue Price A\$	Number of Shares
1 September 2017	Unlisted	0.08	500,000
8 September 2017	Unlisted	0.0324	5,700,000
12 September 2017	Unlisted	0.0324	4,000,000
14 September 2017	Unlisted	0.0324	600,000
22 September 2017	Unlisted	0.0324	1,000,000
22 September 2017	Unlisted	0.0324	4,000,000
4 October 2017	Unlisted	0.0324	246,914
9 October 2017	Unlisted	0.0324	917,284
31 October 2017	Unlisted	0.0324	9,597,284
3 November 2017	Unlisted	0.08	3,725,000
3 November 2017	Unlisted	0.0324	620,000
8 November 2017	Unlisted	0.08	4,450,000
14 November 2017	Unlisted	0.08	4,357,500
14 November 2017	Unlisted	0.0324	17,000,000
17 November 2017	Unlisted	0.08	405,000
17 November 2017	Unlisted	0.0324	11,308,519
24 November 2017	Unlisted	0.08	375,000
24 November 2017	Unlisted	0.0324	6,700,000
24 November 2017	Unlisted	0.0324	2,000,000
1 December 2017	Unlisted	0.08	700,000
12 December 2017	Unlisted	0.08	160,000
22 December 2017	Unlisted	0.08	685,000
9 January 2018	Unlisted	0.08	35,000
9 January 2018	Unlisted	0.0324	246,914
19 January 2018	Unlisted	0.08	4,220,000
25 January 2018	Unlisted	0.08	595,000
2 February 2018	Unlisted	0.08	215,000
16 February 2018	Unlisted	0.08	517,500
14 March 2018	Unlisted	0.0324	246,914
11 April 2018	Unlisted	0.0324	925,925
7 August 2018	Unlisted	0.0324	3,086,420

#### Shares under Convertible notes

As at the date of this report, there are no convertible notes issued that are convertible to ordinary shares in the Company as all outstanding notes have converted subsequent to 30 June 2018 as set out in the table below:

#### Shares issued on conversion of Convertible notes

During the Financial year, and to the date of this report the Company issued 46,296,294 Ordinary Shares, on conversion of Convertible notes.

Date	Notes converted	Value of note	Number of Shares	Issue Price A\$
31 August 2017	26	\$AUD10,000	9,629,629	0.027
1 September 2017	24	\$AUD10,000	8,888,889	0.027
5 September 2017	20	\$AUD10,000	7,407,407	0.027
12 September 2017	1	\$AUD10,000	370,370	0.027
14 November 2017	10	\$AUD10,000	3,703,704	0.027
18 September 2018	44	\$AUD10,000	16,296,295	0.027

#### Indemnification of officers and auditors

During the financial period, the Company paid a premium in respect of a contract insuring the Directors, secretary and officers of the Company and of any related body corporate against a liability incurred as such a Director, Secretary or Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Company has executed a Deed of Protection for each of the Directors. The Company has not otherwise, during or since the financial period, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

#### Non-audit services

Amounts of \$AUD 15,875 were paid to the auditor for non-audit, tax compliance services provided during the period. No amounts are payable as at the date of this report. Full details of amounts paid to the audit, Grant Thornton Audit Pty Ltd are set out in Note C4.

The Board of directors has considered the position is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as noted above, did not compromise the auditor independence requirements of the Corporations Act 2001 none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

**DIGITAL X LTD**  
**2018 ANNUAL REPORT**



**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 27.

**Auditor**

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

The Directors' Report is signed in accordance with a resolution of the Directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Board of Directors.

A handwritten signature in black ink, appearing to read "Leigh Travers".

**Leigh Travers**  
**Managing Director and CEO**  
Perth, 28 September 2018

## 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 32 to 86 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 30 June 2018 and of its performance for the period then ended; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards, as stated in Note B1 to the financial statements.

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 financial period ended 30 June 2018.

Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the directors



Leigh Travers  
Managing Director and CEO  
Perth, 28 September 2018

## AUDITORS' INDEPENDENCE DECLARATION



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### Auditor's Independence Declaration

To the Directors of DigitalX Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of DigitalX Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



C A Becker  
Partner – Audit & Assurance

Perth, 28 September 2018

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## AUDITORS' REPORT



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### Independent Auditor's Report

To the Members of DigitalX Limited

#### Report on the audit of the financial report

##### Opinion

We have audited the financial report of DigitalX Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

##### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## AUDITORS' REPORT



### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<b>Revenue recognition</b> <b>Note C3(c)</b>  For the year ended 30 June 2018, the Group recognised \$8,035,852 million in revenues from consulting services with respect to Initial Coin Offerings of its clients.  The Group recognises revenues from consulting with reference to AASB 118 <i>Revenue</i> .  There is heightened risk around this stream of revenue given complexity in how the Group applies AASB 118 to the service it provides. This is a new stream of revenue for the Group and first time application of revenue recognition policies whereby management determines: <ul style="list-style-type: none"><li>whether the criteria of the standard have been appropriately met as at balance date and, as such, revenue should be recognised; and</li><li>the value of the revenue recorded upon initial recognition.</li></ul> This area is a key audit matter due to the degree of judgement required by management in determining both timing and amounts of revenue to be recognised and designing revenues recognition policies that satisfy AASB 118 criteria.	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"><li>reviewing revenue recognition policies against AASB 118 criteria;</li><li>reviewing material signed and counter-signed consulting contracts to understand the nature of the consulting services rendered, including the consideration to be received from services provided and evaluating the validity of amounts recorded;</li><li>for customer contracts where economic benefits have yet to transfer to the Group at balance date, viewing third-party source documents that support that services have been fully rendered as at 30 June 2018 and that the Group is entitled to receive economic benefits;</li><li>tracing all receipts of economic benefits to proof of custody, including source block chain data and bank receipt of cash from the customer; and</li><li>assessing the appropriateness of financial statement disclosures.</li></ul>

## AUDITORS' REPORT



**Convertible notes, convertible note reserve and  
share options and rights**  
**Note D6 & Note F2**

As at 30 June 2018, the Group carried \$281,446 in convertible notes recorded as interest bearing liabilities. These convertible notes are hybrid financial instruments as defined by AASB 139 *Financial Instruments: Recognition and Measurement* and thus an equity component of the notes has been recorded of

\$62,280 in the Group's convertible notes reserve. The carrying value of the interest bearing liabilities has been initially determined by deducting \$360,459 of transaction costs represented by equity instruments granted to the lender and brokers of the financing deal with a corresponding increase in the option-premium and share based payment reserve.

For hybrid instruments, the liability component of the instrument is initially recorded as the principal component of the loan less the equity components as previously noted, less any transaction costs. The liability component is measured at amortised cost using the effective interest method. The equity component is not subsequently re-measured.

This area is a key audit matter as it requires the Group to determine the equity and liability component of the hybrid instrument and re-measurement as prescribed in AASB 139 *Financial Instruments: Recognition and Measurement*. These standards introduce inherent complexities and risk with respect to identifying and treating transactions around convertible notes, including transaction costs which were in the form of options and rights to the holders and advisors. The standards require an assessment as to whether these loans are compound financial instruments or hybrid financial instruments. The conclusion drawn by management impacts the treatment of the loans and any identified components – whether there should be a component recorded in equity or a separate derivative financial liability recorded.

This area is a key audit matter as management is required to exercise its judgments and estimates in determining the appropriate accounting treatment of the convertible notes, including the fair value of the instrument should it not contain conversion features as noted above, as well as the fair value of transaction costs where they are complex.

- Reviewing convertible note structure per the signed mandate with the advisor who brokered the arrangement to identify all elements of the notes;
- Assessing management's accounting treatment for each element of the lending arrangement, such as the conversion feature and attaching instruments, to determine appropriateness of the treatment applied;
- Reviewing the appropriateness of the estimate of the fair value of the notes without the conversion feature, which is performed for the purpose of identifying the equity component of the notes;
- For elements of the notes that were equity instruments granted to the advisor structuring the lending arrangement, evaluating the appropriateness of the treatment of the instruments as transaction costs;
- Reviewing management's valuation approach of the transaction costs for appropriateness, including assessing the appropriateness of the pricing model applied and key inputs to the model;
- Re-calculating management's loan liability and equity components of the hybrid instrument, as well as re-computing the amortisation of the loan liability under the effective interest rate method;
- Viewing evidence of subsequent conversion of the notes to shares via Appendix 3B announcements to further confirm existence of the notes as at 30 June 2018; and
- Assessing the appropriateness of financial statement disclosures.

## AUDITORS' REPORT



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

### Report on the remuneration report

#### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 9 to 21 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of DigitalX Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



C A Becker  
Partner – Audit & Assurance

Perth, 28 September 2018

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	Note	Year ended 30 June 2018 \$USD	Year ended 30 June 2017 \$USD
Revenue from operations	C3	8,211,408	-
Net gain on digital assets	C3	1,685,053	18,141
Other Income	C3	9,398	28,992
Professional and consultancy fees	C4	(2,020,899)	(521,096)
Corporate expenses		(334,831)	(221,425)
Advertising, media and investor relations		(249,875)	(333,886)
Employee benefit expenses		(1,597,924)	(853,607)
Share based payments – employee benefits		(1,285,386)	(109,729)
Depreciation		(12,295)	(13,057)
Intangible asset impairment	E2	-	(953,653)
Realised and unrealised foreign exchange losses		(270,259)	(25,141)
Fair value adjustment of derivative liability	D6	-	20,197
Impairment of investments and other assets	D5	(511,059)	-
Interest expense		(54,268)	-
Finance costs		(682,036)	(224,335)
Other expenses	C4	(521,697)	(395,929)
Equity accounted share of profit from joint venture	D5	37,144	-
<b>Profit/(Loss) before tax</b>		<b>2,402,473</b>	<b>(3,584,528)</b>
Income tax benefit/(expense)	C5	-	-
<b>Profit/ (Loss) after income tax from continuing operations</b>		<b>2,402,473</b>	<b>(3,584,528)</b>
Profit/(Loss) from discontinued operations	C2	40,748	(389,233)
<b>Profit/(Loss) for the period</b>		<b>2,443,221</b>	<b>(3,973,761)</b>
<b>Profit/(Loss) attributable to:</b>			
Members of the parent entity		2,595,834	(3,973,761)
Non-controlling interests		(152,613)	-
		<b>2,443,221</b>	<b>(3,973,761)</b>

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

	Note	Year ended 30 June 2018 \$USD	Year ended 30 June 2017 \$USD
<b>Profit/(Loss) for the period</b>		<b>2,443,221</b>	<b>(3,973,761)</b>
<b>Other comprehensive income for the period</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of operations		(2,561)	-
<b>Other comprehensive income for the period, net of tax</b>		<b>(2,561)</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>2,440,660</b>	<b>(3,973,761)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Members of the parent entity		2,579,947	(3,973,761)
Non-controlling interests		(139,287)	-
<b>Total</b>		<b>2,440,660</b>	<b>(3,973,761)</b>
<b>Profit/(Loss) per share attributable to the ordinary equity holders of the parent:</b>			
<b>Basic earnings/(loss) per share (cents)</b>	C6		
Earnings per share from continuing operations		0.006	(0.018)
Earnings per share from discontinued operations		0.000	(0.002)
<b>Total</b>		<b>0.006</b>	<b>(0.02)</b>
<b>Diluted earnings/(loss) per share (cents)</b>	C6		
Earnings per share from continuing operations		0.005	(0.018)
Earnings per share from discontinued operations		0.000	(0.002)
<b>Total</b>		<b>0.005</b>	<b>(0.02)</b>

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2018 \$USD	30 June 2017 \$USD
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	D3	5,772,287	232,225
Trade and other receivables	C3	1,295,844	89,320
Digital assets	D4	4,500,282	10,034
<b>Total Current Assets</b>		<b>11,568,413</b>	<b>331,579</b>
<b>NON-CURRENT ASSETS</b>			
Investments	D5	56,581	-
Property, plant and equipment	E1	502	10,832
Intangible assets	E2	49,519	49,519
<b>Total Non-Current Assets</b>		<b>106,602</b>	<b>60,351</b>
<b>TOTAL ASSETS</b>		<b>11,675,015</b>	<b>391,930</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	C4	574,696	362,385
Derivative financial instruments	D6	-	121,026
Interest bearing liabilities	D6	281,446	414,172
<b>Total Current Liabilities</b>		<b>856,142</b>	<b>897,583</b>
<b>TOTAL LIABILITIES</b>		<b>856,142</b>	<b>897,583</b>
<b>NET ASSETS/(NET ASSET DEFICIENCY)</b>		<b>10,818,873</b>	<b>(505,653)</b>
<b>EQUITY</b>			
Contributed equity	F1	30,431,588	22,653,332
Reserves	F2	832,033	396,194
Retained earnings/(losses)		(20,959,347)	(23,555,180)
<b>Capital &amp; reserves attributable to owners of DigitalX</b>		<b>10,304,274</b>	<b>(505,653)</b>
Non-controlling interests	F2	514,599	-
<b>TOTAL EQUITY</b>		<b>10,818,873</b>	<b>(505,653)</b>

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 30 June 2018 \$USD	Year ended 30 June 17 \$USD
<b>Cash flows from operating activities</b>			
Receipts from customers		4,585,891	-
Payments to suppliers and employees		(2,532,763)	(2,609,050)
Other income		212,493	14,039
Interest paid		(60,000)	-
Proceeds from sale of bitcoin		-	8,964,809
Payment for purchase of bitcoin		(135,068)	(8,391,084)
Payments for power and hosting		(5,000)	(199,455)
<b>Net cash provided by/(used in) operating activities</b>		<b>2,065,553</b>	<b>(2,220,741)</b>
<b>Cash flows from investing activities</b>			
Payment for intellectual property		-	(806,547)
Acquisition of property plant and equipment		(1,883)	(3,414)
Payment for investments including digital assets in fund		(1,449,535)	-
Payment for deposits		(11,683)	-
Loan to related party		-	152,000
<b>Net cash used in investing activities</b>		<b>(1,463,101)</b>	<b>(657,961)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity securities		3,762,469	1,829,410
Proceeds from issue of units in fund		1,366,773	-
Proceeds from borrowings		-	239,124
Proceeds from issue of convertible notes		225,188	530,352
Other (Share Buy-back)		-	(394,117)
Payments for share issue costs		(180,550)	(117,409)
<b>Net cash (used in)/provided by financing activities</b>		<b>5,173,840</b>	<b>2,087,360</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>5,776,292</b>	<b>(791,342)</b>
Cash and cash equivalents at beginning of period		232,225	1,042,289
Foreign exchange movement in cash		(236,230)	(18,722)
<b>Cash and cash equivalents at end of period</b>	D3	<b>5,772,287</b>	<b>232,225</b>

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### Reconciliation of operating cashflows to net profit

	Note	Year ended 30 June 18 \$USD	Year ended 30 June 2017 \$USD
<b>Profit/(loss) after income tax</b>		<b>2,443,221</b>	<b>(3,971,761)</b>
<i>Non-cash flows in profit/(loss)</i>			
Net fair value (gain)/ loss on digital assets		(1,685,053)	184,577
Loss of coins on exchange		-	47,331
Intangible asset impairment		-	953,653
Depreciation		12,295	13,057
Employee share issue		1,285,386	109,729
Fair value adjustment of debt conversion options		-	(20,197)
Fair value adjustment of investments		511,059	-
Finance costs		682,036	205,782
Restoration provision write-down		-	(103,981)
Other non-cash (income)/expenses including foreign exchange		(189,176)	(347,808)
		<b>3,059,768</b>	<b>(2,931,615)</b>
<i>Change in assets and liabilities, net the effects of purchase of subsidiaries</i>			
Decrease/(increase) in trade and other receivable		(1,206,524)	884,931
(Decrease)/increase in trade payables and accruals		212,310	(174,056)
(Decrease)/increase in tax payable		-	-
<b>Net cash provided by/(used in) operating activities</b>		<b>2,065,553</b>	<b>(2,220,741)</b>
<b>Non-cash investing and financing activities</b>			

During the year the Group [announced](#) that it had invested \$AUD750,000 into the DigitalX Fund. This amount comprised \$AUD631,000 in cash payment included in the consolidated cashflows under payment for investments including digital assets in fund. The remaining amount of \$AUD131,000 was invested by way of cryptocurrencies. As the Group controls the DigitalX Fund this amount is eliminated on consolidation in accordance with principles set out in Note G1.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Group	Contributed Equity \$USD	Reserves <sup>1</sup> \$USD	Retained Earnings/(Losses) \$USD	Total \$USD	Non-controlling interest \$USD	Total \$USD
Balance at 1 July 2017	22,653,332	396,194	(23,555,180)	(505,653)	-	(505,653)
Profit/(Loss) for the year	-	-	2,595,834	2,595,834	(152,613)	2,443,221
Other comprehensive income	-	(15,887)	-	(15,887)	13,326	(2,561)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(15,887)</b>	<b>2,595,834</b>	<b>2,579,947</b>	<b>(139,287)</b>	<b>2,440,660</b>
Shares issued during the period	7,759,367	-	-	7,759,367	-	7,759,367
Units issued during the period	-	-	-	-	653,887	653,886
Share issue costs	(394,036)	-	-	(394,036)	-	(394,036)
Share based payment expense	-	350,294	-	350,294	-	350,294
Share options issued	-	414,506	-	414,506	-	414,506
Share options and performance rights converted	375,754	(375,754)	-	-	-	-
Equity component of convertible note	-	78,465	-	78,465	-	78,465
Early conversion of convertible note	37,171	(15,785)	-	21,386	-	21,386
<b>Balance at 30 June 2018</b>	<b>30,431,588</b>	<b>832,033</b>	<b>20,959,346</b>	<b>10,304,274</b>	<b>514,600</b>	<b>10,818,874</b>

<sup>1</sup> Refer to Note F2 for reconciliation of reserve balances.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Consolidated Group	Contributed Equity \$USD	Reserves <sup>1</sup> \$USD	Retained Earnings/(Losses) \$USD	Total \$USD
Balance at 1 July 2016	21,249,214	642,360	(20,223,779)	1,667,795
Loss for the year	-	-	(3,973,761)	(3,973,761)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(3,973,761)</b>	<b>(3,973,761)</b>
Shares issued during the period	1,939,140	-	-	1,939,140
Share issue costs	(138,320)	-	-	(138,320)
Share buy-back and cancellation	(394,117)	-	-	(394,117)
Buy-back costs	(2,585)	-	-	(2,585)
Share options issued	-	396,194	-	396,194
Share options and performance rights lapsed	-	(642,360)	642,360	-
<b>Balance at 30 June 2017</b>	<b>22,653,332</b>	<b>396,194</b>	<b>(23,555,180)</b>	<b>(505,653)</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2018

Management are pleased to note that as part of the preparation of the Annual Report for the year ended 30 June 2018 the ordering, layout, and information presented in the notes to the financial statements has been improved in an attempt to increase the usability, readability, and transparency of disclosures to stakeholders and other users of the financial statements.

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 results (C1 to C6)
- 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 from cryptocurrency related transactions including, bitcoin mining and ICOs
- Note D4 – Digital assets including bitcoin inventory
- Note D4 – Fair value of digital assets
- Note E2 – Capitalisation intangibles and impairment

##### **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 C5 – Multijurisdictional taxation of operations
- Note E2 – Valuation of share based payments

#### KEY AUDIT MATTER

Item is a key audit matter referenced in the Auditor's Report on Page 28.

#### 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 key accounting policies, accounting standard frameworks applied.

### CORPORATE INFORMATION

The consolidated historical financial statements of DigitalX Limited and its controlled entities (collectively, the Consolidated Entity or Group) for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 28 September 2018.

DigitalX Limited (the Company or the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Company is a for-profit entity.

The nature of the operations and principal activities of the Group are described in the Directors' Report. Information on the Group's structure is provided in Note G1. Information on other related party relationships is provided in Note H1.

The Company's Corporate Governance Statement for the 2018 financial year can be accessed at: <https://DigitalX.com/corporate-governance/>.

### B1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been applied consistently to all periods presented in the financial report excepted as described in Note C3. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASs) and interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. All amounts are presented in United States Dollars, unless otherwise noted.

#### Compliance with IFRS

The consolidated financial report of the Group also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### Historical cost convention

The consolidated financial report has been prepared under the historical cost convention, except for bitcoin holdings inventory that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Cost is based on the fair value of the consideration given in exchange for assets.

#### 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.

#### Presentation and functional currency

##### Presentation currency

The consolidated financial report is presented in United States Dollars.

##### Functional currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United States dollars ('\$USD'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. Due to the nature of these activities for all entities in the Group the functional currency has been determined to be \$USD.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each

reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Group continues to monitor its exposure and dealings in various currencies including \$USD, \$AUD, \$HKD and has considered that for the year ended 30 June 2018 that \$USD is the most appropriate currency for the Group's reporting as the predominant currency for revenue generating activities has been \$USD combined with the material US operations. The Group will continue to assess the relevant of that assessment each reporting period.

#### ***Current and Non-Current classification***

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset as current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## 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** Segment Information (Page 43)

**C2** Discontinued Operations (Page 46)

**C3** Revenue & Receivables (Page 49)

**C4** Expenses, Payables & Other Assets (Page 50)

**C5** Income Tax (Page 52)

**C6** Earnings Per Share (Page 56)

## C1 SEGMENT INFORMATION

### Segment reporting

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

Based on the information used for internal reporting purposes by the Chief Operating Decision Maker (CODM), being the Board which makes strategic decisions, at 30 June 2018 the group operated three.

With the change in the Group's service offerings the Group now has 3 reportable segments; ICO Advisory, funds under management and Technology. The Group does report media and marketing as a segment as the Group's interest in these activities is via a joint venture as disclosed in Note D5. In the previous corresponding period (period ended 30 June 2017) the Group had 1 reportable segment, software development which has been renamed technology in the current reporting period.

### Segment description



#### ICO & STO ADVISORY

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



#### TECHNOLOGY

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



#### FUNDS UNDER MANAGEMENT (FUM)

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



#### UNALLOCATED

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

## SEGMENT PERFORMANCE

Segment reporting (\$USD)	ICO & STO ADVISORY		FUNDS UNDER MANAGEMENT <sup>2</sup>		TECHNOLOGY		UNALLOCATED		TOTAL	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
<b>Results</b>										
Segment revenue	8,211,408	-	-	-	-	-	-	-	8,211,408	-
<b>Profit/(Loss) before income tax</b>	<b>6,441,782</b>	-	<b>(141,391)</b>	-	<b>(123,075)</b>	<b>(860,027)</b>	<b>(3,811,986)</b>	<b>(2,724,501)</b>	<b>2,365,330</b>	<b>(3,584,528)</b>
Income tax expense/(benefit)	-	-	-	-	-	-	-	-	-	-
<b>Profit/(Loss) after income tax from continuing operations</b>	<b>6,441,782</b>	-	<b>(141,391)</b>	-	<b>(123,075)</b>	<b>(860,027)</b>	<b>(3,811,986)</b>	<b>(2,724,501)</b>	<b>2,365,330</b>	<b>(3,584,528)</b>
Profit/(Loss) from discontinued operations	-	-	-	-	-	-	-	-	40,748	(389,233)
<b>Profit/(Loss) attributable to members of the parent entity</b>	<b>6,441,782</b>	-	<b>(141,391)</b>	-	<b>(123,075)</b>	<b>(860,027)</b>	<b>(3,811,986)</b>	<b>(2,724,501)</b>	<b>2,406,078</b>	<b>(3,973,761)</b>
<b>Other</b>										
Equity accounted share of profit from joint venture	-	-	-	-	-	-	-	-	37,143	-
Profit/(loss) after income tax									<b>2,443,221</b>	<b>(3,973,761)</b>
<b>Reconciliation of underlying EBITDA</b>										
Interest									54,268	18,552
Taxation									-	-
Depreciation									12,295	13,057
Amortisation									-	-
<b>EBITDA</b>									<b>2,509,784</b>	<b>(3,942,152)</b>

<sup>1</sup>Revenue 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.

<sup>2</sup>For the purpose of segment reporting the Funds Under Management segment does not include the operating results, segment assets or segment liabilities of the DigitalX Fund as CODM reviews the fund on a fair value basis of the Group's interest in the fund as disclosed in Note D5.

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SEGMENT POSITION

	ICO ADVISORY		FUNDS UNDER MANAGEMENT		TECHNOLOGY		UNALLOCATED		TOTAL	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
<b>Segment reporting (\$USD)</b>										
Assets										
Segment assets	965,113	-	-	-	49,519	49,519	10,660,383	301,662	11,675,015	351,181
<b>Total assets</b>	<b>965,113</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,519</b>	<b>49,519</b>	<b>10,660,383</b>	<b>301,662</b>	<b>11,675,015</b>	<b>351,181</b>
Assets pertaining to discontinued operations	-	-	-	-	-	-	-	-	-	40,749
Liabilities										
Segment liabilities	23,136	-	24,666	-	-	-	808,399	1,046,128	856,141	1,046,128
<b>Total liabilities</b>	<b>23,136</b>	<b>-</b>	<b>24,666</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>808,399</b>	<b>1,046,128</b>	<b>856,141</b>	<b>1,046,128</b>
Liabilities pertaining to discontinued operations	-	-	-	-	-	-	-	-	-	5,000

## C2 DISCONTINUED OPERATIONS

### Wind up of Bitcoin mining operations

On 8 January 2017 the Group and the Bitcoin mining power and hosting provider Verne had actioned an amendment to the master service agreement between the two parties, releasing the Group as at 2 June 2017 from any future financial obligation as was stipulated under the master service agreement.

The termination of the master service agreement marked the full wind up of the bitcoin mining operations.

### Wind up of Bitcoin trading operations

In December 2016, the Group started to wind down its Bitcoin trading operations to concentrate resources on its flagship product AirPocket. Concurrently, active discussions were being held with interested parties to leverage the knowledge, trading platform and customer base of DigitalX Direct.

On 7 February 2017, the Group announced that it has entered into a binding agreement with Blockchain Group Limited (BGL), owner of ACX.io, the largest Bitcoin exchange in Australia by volume and order book. The Group has wound down its DigitalX Direct operations by introducing DigitalX Direct customers to BGL in consideration for which it will receive 50% of all profit for customers introduced to the BGL owned ACX, digital currency exchange over a five-year term.

### Analysis of profit or loss for the year from discontinued operations

The combined results of the discontinued operations (i.e. Bitcoin mining and Bitcoin trading) included in the loss for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year

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	Trading Period ended 30 June 2018 \$USD	Period ended 30 June 2017 \$USD	Mining Period ended 30 June 2018 \$USD	Period ended 30 June 2017 \$USD	Total Period ended 30 June 2018 \$USD	Total Period ended 30 June 2017 \$USD
Revenue from bitcoins mined	-	-	-	-	-	-
Trading desk bitcoin sales	-	8,012,035	-	-	-	8,012,035
Trading desk bitcoin purchases	-	(7,913,143)	-	-	-	(7,913,143)
Net fair value gain/(loss) on bitcoin inventory held	-	(202,719)	-	-	-	(202,719)
Other Income	-	-	-	-	-	-
Power and hosting expenses	-	-	-	-	-	-
Hardware Repair expense	-	-	-	(175)	-	(175)
Depreciation	-	-	-	-	-	-
Employee benefit expenses	-	(128,803)	-	-	-	(128,803)
Loss of cash on exchange	-	(47,331)	-	-	-	(47,331)
Bad debtors expense	40,748	(109,096)	-	-	40,748	(109,096)
<b>Profit/(Loss) before income tax</b>	<b>40,748</b>	<b>(389,058)</b>	-	(175)	<b>40,748</b>	<b>(389,233)</b>
Attributable income tax benefit	-	-	-	-	-	-
<b>Profit/(Loss) for the year from discontinued operations (attributable to owners of the Company)</b>	<b>40,748</b>	<b>(389,058)</b>	-	(175)	<b>40,748</b>	<b>(389,233)</b>
<b>Cash flows from discontinued operations</b>						
Net Cash Inflows/(Outflows) from Operating activities	-	487,092	-	(199,455)	-	287,637
Net Cash Inflows from Investing activities	-	-	-	-	-	-
Net Cash Inflows from Financing activities	-	-	-	-	-	-
<b>Net Cash Inflows/(Outflows)</b>	<b>-</b>	<b>487,092</b>	-	<b>(199,455)</b>	<b>-</b>	<b>287,637</b>

	Trading		Mining		Total	
	Period ended 30 June 2018	\$USD	Period ended 30 June 2017	\$USD	Period ended 30 June 2018	\$USD
<b>Current assets:</b>						
Trade and other receivables	-	40,749	-	-	-	40,749
Inventories	-	-	-	-	-	-
<b>Assets pertaining to discontinued operations</b>	-	<b>40,749</b>	-	-	-	<b>40,749</b>
<b>Current liabilities:</b>						
Trade and other payables	-	-	-	5,000	-	5,000
Accrued expenses	-	-	-	-	-	-
<b>Liabilities pertaining to discontinued operations</b>	-	-	-	5,000	-	5,000

### C3 - REVENUE & RECEIVABLES

#### Policy - Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, if any, and excluding taxes or duty.

Revenue is recognised when the specific recognition criteria described below have been met:

##### A. Bitcoin Mining (Prior year)

The Group has determined that the substance of its Bitcoin mining activities is service provision under the scope of AASB 118 Revenue notwithstanding that there is no contractual arrangement under which it provides such services as the services are provided instead through open source software being the Bitcoin protocol. Furthermore, the nature of the Bitcoin protocol is such that the Group is unable to determine in advance the consideration that it will receive, if any. Revenue earned from Bitcoin processing activities is recognised at the fair value of the Bitcoins received as consideration on the date of actual receipt, fair value being measured using the closing price of Coin Market Cap.

##### B. Liquidity Desk, DigitalX Direct and Market Making Transaction

Revenue from the sale of bitcoins through the Liquidity Desk, DigitalX Direct and Market Making is recognised when the Group transfers the risks and rewards of ownership of the bitcoins to its customers. The transfer of the bitcoins is completed through the issue of electronic instructions to the bitcoin network to facilitate the transfer and the transaction is recorded into the Blockchain. Cost of sales on transactions in Liquidity desk, DigitalX Direct and Market Making represents the fair value of bitcoins purchased in the market on the date of sale. Any fair value movements arising between date of purchase of bitcoins and the date of sale are included in the net fair value gains and losses on bitcoin inventory in the statement of profit or loss and other comprehensive income.

No trading revenue is recognised on the sale of mined bitcoins which are either sold on an exchange (i.e. not an over the counter transaction) or utilised as an exchange medium in place of fiat currency. Accordingly the amounts included on the statement of profit or loss and other comprehensive income in relation to mined bitcoins is revenue from bitcoin mining and net fair value gain and loss on bitcoin inventory held for trading.

Revenue activities from bitcoin mining and liquidity desk have been wound down as set out in Note C2.

##### C. ICO Advisory

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

The Group recognises ICO consulting revenue when all of the following are met:

- Its services have been fully rendered under contract and the Group no longer has any continuing involvement in the sale of digital assets by its customers;
- The digital asset's value is measurable, which is determined:
  - by referencing publicly available pricing data from digital asset exchanges; or
  - for those digital assets not yet listed on exchanges, by referencing the results of the ICO or Pre-ICO (i.e. the unit price of a digital asset can be measured by dividing the dollar amounts raised in the ICO by the number of units issued in the ICO).
- The Group measures its ICO consulting revenue at the fair value of the consideration. Where digital assets are received, the fair value is determined with reference to the price of the digital asset on the date at which the digital asset is transferred to the Group's wallet or exchange account.

##### D. Interest revenue

Interest income is recognised on a time proportion basis that takes into account the effective yield on the financial asset.

### Revenue

ICO consulting	
Blockchain Consulting	
<b>Total revenue</b>	

	Year ended 30 June 2018 \$USD	Year ended 30 June 2017 \$USD
	8,035,852	-
	175,556	-
	<b>8,211,408</b>	-

### Trade and other receivables

Trade receivables (gross) <sup>1,2</sup>	
Allowance for doubtful accounts	
<b>Trade receivables – Net</b>	

	Year ended 30 June 18 \$USD	Year ended 30 June 2017 \$USD
	1,037,624	81,497
	-	(40,748)
	<b>1,037,624</b>	<b>40,749</b>

### Other receivables

Statutory tax receivable	86,972	12,064
Loan to a related party	5,932	5,932
Other	165,316	29,009
<b>Total trade and other receivables</b>	<b>1,295,844</b>	<b>87,754</b>

<sup>1</sup>At 30 June 2018, \$USD92,874 is considered past due but not impaired.

<sup>2</sup>Included in the balance at 30 June 2018 is an amount \$USD770,000 for token to be received from a customer pending a token generation event (TGE) that has not yet occurred. Management are confident that based on the history of previous ICO engagements and discussions with the customer the TGE will occur before the end of the calendar year.

### Other Income

Interest received	-	262
Net fair value gain on digital assets held	1,685,053	18,141
Other income	9,398	28,729
<b>Total other income</b>	<b>1,694,451</b>	<b>47,132</b>

	Year ended 30 June 2018 \$USD	Year ended 30 June 2017 \$USD
	-	262
	1,685,053	18,141
	<b>1,694,451</b>	<b>47,132</b>

## C4 EXPENSES, PAYABLES & OTHER ASSETS

### Policy - Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### Policy - Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

#### Policy - Employee benefits

##### *Short-term and long-term employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

#### Policy - Goods and services, Value Added Tax, or Sales Tax

Amounts are recognised net of the amount of associated GST or VAT, except:

- where the GST or VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST or VAT is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST or VAT.

The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST or VAT component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

#### Professional and Consultancy fees

Legal fees	122,051	241,454
Consulting fees	247,909	184,252
Tax consulting fees	14,167	18,702
Audit fees	91,102	76,688
Brokerage fees	1,545,670	-
<b>Total professional and consultancy fees</b>	<b>2,020,899</b>	<b>521,096</b>

	Year ended 30 June 2018 \$USD	Year ended 30 June 2017 \$USD
Legal fees	122,051	241,454
Consulting fees	247,909	184,252
Tax consulting fees	14,167	18,702
Audit fees	91,102	76,688
Brokerage fees	1,545,670	-
<b>Total professional and consultancy fees</b>	<b>2,020,899</b>	<b>521,096</b>

#### Other expenses

Office and administration	201,906	274,349
Bank charges	5,866	4,544
Other expenses	313,925	117,036
<b>Total other expenses</b>	<b>521,697</b>	<b>395,929</b>

	Year ended 30 June 2018 \$USD	Year ended 30 June 2017 \$USD
Office and administration	201,906	274,349
Bank charges	5,866	4,544
Other expenses	313,925	117,036
<b>Total other expenses</b>	<b>521,697</b>	<b>395,929</b>

**Current liabilities – trade & other payables**

Trade payables  
 Accrued expenses  
 PAYG withholding payable

	<b>Year ended 30 June 2018 \$USD</b>	<b>Year ended 30 June 2017 \$USD</b>
Trade payables	377,682	169,774
Accrued expenses	187,768	183,182
PAYG withholding payable	9,244	9,430
	<b>574,694</b>	<b>362,385</b>

**Remuneration of Auditors**

Remuneration of the auditors of the Company for:  
*Grant Thornton Audit Pty Ltd*

	<b>Year ended 30 Jun 18 \$USD</b>	<b>Year ended 30 Jun 17 \$USD</b>
Audit and review of financial reports	78,626	76,688
Non-audit services – tax compliance	12,476	9,958
Non-audit services – consulting	-	4,608
	<b>91,102</b>	<b>91,254</b>

**C5 INCOME TAX**

**Policy - Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income or tax loss based on the applicable income tax rate for each jurisdiction.

**Current tax**

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### ***Current and deferred tax for the period***

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### ***Tax consolidation***

The Company and its wholly-owned Australian tax resident entities are part of a tax-consolidated group under Australian taxation law. The head entity within the tax-consolidated group is DigitalX Limited. Digital CC Holdings joined the DigitalX Limited tax consolidation group on 26 May 2014.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial reports of the members of the tax-consolidated group using the 'separate taxpayer within group' approach, by reference to the carrying amounts in the separate financial reports of each entity and the tax values applying under tax consolidation. Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the wholly-owned entities are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (or receivable) to (or from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. The head entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the assets can be utilised.

#### **Estimates & Judgement – Taxation**

##### ***Income taxes***

The Group operates in a newly emerging industry and the application of taxation laws in Australia, the United States, Hong Kong and previously Iceland (the principal countries in which the Group currently operates) in relation to the Group's activities may change from time to time. Changes in the taxation laws or in assessments or interpretation or decisions in respect of, but not limited to the following, may have a significant impact on the Group's results:

- Jurisdiction in which and rates at which income is taxed;
- Jurisdiction in which and rates at which expenses are deductible;
- The nature of income taxes levied, for example whether taxes are assessed on the revenue account or on the capital account;
- Requirements to file tax returns; and
- The availability of credit for taxes paid in other jurisdictions, for example through the operation of double taxation treaties

In recognition of the limited trading and tax history of the Group, management do not consider there is sufficient evidence of probability of the ability to utilise temporary differences and tax losses and hence no deferred tax asset has been recognised as at 30 June 2018 in relation to these assets. The Group will continue to assess the performance and may in the future recognise some or all of these assets.

The Group has taken the approach to calculate income tax expense on the basis that all revenue and expenses attributable to its operations are taxable in Australia and all revenue and expenses attributable to its trading operations are taxable in the United States in addition to certain employee costs incurred in the United States plus an appropriate mark-up.

**A. Income tax expense**

Current tax expense / (benefit)  
 Deferred tax expense / (benefit)  
**Total income tax (benefit) in profit or loss**

	<b>Year ended 30 June 2018 \$USD</b>	<b>Year ended 30 June 2017 \$USD</b>
Current tax expense / (benefit)	-	-
Deferred tax expense / (benefit)	-	-
<b>Total income tax (benefit) in profit or loss</b>	-	-

**B. Numerical reconciliation of tax expense to prima facie tax payable**

Profit/(Loss) before tax from continuing operations  
 Profit/(Loss) before tax from discontinued operations  
**Profit/(Loss) before tax**

	<b>Year ended 30 June 2018 \$USD</b>	<b>Year ended 30 June 2017 \$USD</b>
Profit/(Loss) before tax from continuing operations	2,402,473	(3,584,528)
Profit/(Loss) before tax from discontinued operations	40,748	(389,233)
<b>Profit/(Loss) before tax</b>	<b>2,443,221</b>	<b>(3,973,761)</b>

Tax at the Group's statutory income tax rate of Australia: 27.5% (2017: 30%)

671,886

(1,192,128)

Tax effect of amounts which are not deductible or assessable (taxable) in calculating taxable income:

Non-deductible share based payment	353,481	-
Non-deductible impairment losses	13,165	286,096
Non-deductible finance costs – convertible note	148,803	-
Profit from equity accounted investments	10,214	-
Other	1,580	8,864
Effect of different tax rates of subsidiaries operating in other jurisdictions	10,627	(97,640)
Unrealised gain on foreign exchange	1,010	-
Effect of timing expenses that are not deductible	7,434	-
Deferred tax assets not recognised <sup>1</sup>	202,888	994,808
Previously unrecognised tax losses now recouped to reduce tax expense	(1,421,088)	-
<b>Income tax expense/(benefit)</b>	<b>-</b>	<b>-</b>

Income tax expense/(benefit) is attributable to:

Profit/(Loss) from continuing operations	-	-
Profit/(Loss) from discontinued operations	-	-
	-	-

<sup>1</sup> Amount relates to tax losses incurred in US operations that cannot be applied to profits generated in Australia or entities outside the tax consolidated group.

**C. Current tax assets and liabilities**

Current tax liability	-	-
Income tax payable	-	-
<b>Total current tax liability</b>	<b>-</b>	<b>-</b>

**D. Deferred tax assets and liabilities**

As at 30 June 2018 the Group has tax losses available to be applied in the future periods in the United States and Australia estimated to be \$USD4.5 million and \$USD4.8 million respectively. The losses in respect of the Group's operations in Hong Kong are immaterial. In addition, the Group has gross capital losses in Australia estimated at \$USD1.1 million at 30 June 2018. The Group reviews the recoverability of tax losses each reporting period by reviewing the continuity of ownership test (COT) or Same Business Test (SBT) and no adjustments have been made for the year ended 30 June 2018.

Other than those noted above and tax losses there are no other material temporary differences.

**E. Other tax information**

The tax rate used for the reconciliation above is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law for entities with gross consolidated turnover of less than \$AUD25,000,000.

Franking Account	-	-
Amounts recognised directly in equity	-	-

**F. Future Developments** 

- (i) The Group notes that on the 1 January 2018, the US corporate tax rate was lowered to a flat rate of 21% (2017: 35%) for financial years commencing 1 January 2018. The impact of the rate change has been reflected in the Group's income tax calculations in Section B above. As the US operations currently has accumulated tax losses of \$10.4m and therefore any change is not expected to materially impact US tax, however, if and when the US operations become profitable the Group will benefit from the losses accumulated.
- (ii) The Group notes that from the 2019 financial year on, the corporate tax for Hong Kong will use a two-tier regime where profits will be assessed at 8.25% for the first \$HK2,000,000 and 16.5% (2017: 16.5%) above \$HK2,000,000. The Group's operations in Hong Kong are immaterial and the effective of the rate is expected to be immaterial.
- (iii) The Group has commenced a transfer pricing update review between the Australian and US operations, the Group expects this to be completed prior to the lodgement of the next tax returns in both the US and Australia. The impact to the consolidated results arising from the difference in tax rates to be immaterial.

## C6 - 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.

### Basic earnings/(loss) per share (cents)

	Year ended 30 June 2018 \$USD	Year ended 30 June 2017 \$USD
From continuing operations	0.006	(0.018)
From discontinued operations	0.000	(0.002)
<b>Total</b>	<b>0.006</b>	<b>(0.02)</b>

### Diluted earnings/(loss) per share (cents)

	Year ended 30 June 2018 \$USD	Year ended 30 June 2017 \$USD
From continuing operations	0.005	<sup>1</sup> (0.018)
From discontinued operations	0.000	<sup>1</sup> (0.002)
<b>Total</b>	<b>0.005</b>	<b>(0.02)</b>

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

From continued operations	2,555,086	(3,584,528)
From discontinued operations	40,748	(389,233)

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

Adjustments for calculation of diluted EPS	<b>421,293,051</b>	<b>198,937,819</b>
--	--------------------	--------------------

Options	42,858,373	-
Performance rights	1,000,000	-
Convertible notes	8,800,000	-

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

	<b>473,951,423</b>	<b>198,937,819</b>
--	--------------------	--------------------

<sup>1</sup> 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 & RISK MANAGEMENT

The section below includes information regarding how the Group manages its capital assets including the positions at year end as well as outlining the risks arising from market, price, liquidity and credit exposures. Finally the section covers how the Group manages its equity position and movements during the year.

**The section includes the following disclosures:**

**D1** Capital Management (Page 58)

**D2** Financial Risk Management (Page 58)

**D3** Cash & cash equivalents (Page 61)

**D4** Digital Assets (Page 61)

**D5** Investments (Page 62)

**D6** Interest bearing liabilities and derivatives (Page 64)

## D1 - CAPITAL MANAGEMENT

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## D2 – FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including but not limited to:

- Foreign exchange risk;
- Liquidity risk;
- Interest rate risk;
- Credit risk; and
- Digital asset price risk

The Group's and the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risks to which it is exposed. The method used is sensitivity analysis for each of foreign exchange risk, liquidity risk and interest rate risk.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

The Group holds the following financial assets and financial liabilities:

	2018 \$USD	2017 \$USD
<b>Financial Assets</b>		
Cash and cash equivalents	5,772,287	232,225
Trade receivables	1,037,624	73,789
	<b>6,809,911</b>	<b>306,014</b>
<b>Financial liabilities</b>		
Trade and other payables	377,682	179,203
Interest bearing liabilities	281,446	414,172
Derivative financial instruments	-	121,026
	<b>659,128</b>	<b>714,401</b>

### Foreign exchange risk

The Group and the parent entity operate internationally, and during the period were exposed to foreign exchange risk arising from currency exposures, primarily with respect to the USD/AUD dollar rates.

Foreign exchange risks arise from future commercial transactions and recognized assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management regularly monitors exposure to foreign exchange risk, but do not have a current hedging policy in place. It is intended that this policy will be continuously assessed in line with funding requirements for each of the investment opportunities.

As of 30 June 2018, the Group had exposure to foreign currency risk within its recognised assets and liabilities. The Cash and cash equivalents held \$AUD7,556,476 (2017: \$AUD253,210) in bank accounts. The Group has no derivative liabilities in \$AUD (2017: \$AUD157,440) and interest bearing liabilities of \$AUD440,000 (2017: \$AUD547,959).

#### Group sensitivity – foreign exchange risk

Based upon the financial instruments held as at 30 June 2018, had the Australian dollar weakened/strengthened 10% against the US dollar with all other variables held constant, the following impact on profit and or loss in noted:

	Fluctuation	
	+10%	-10%
	\$USD	\$USD
Impact on profit of loss – 2018	(322,471)	322,471
Impact on profit or loss – 2017	(85,316)	85,316

#### Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group deposit funds at both short-term fixed and floating rates of interest.

The Group exposure to interest rates on financial assets and liabilities is detailed in the liquidity risk management section of this note.

#### Interest rate sensitivity

A change in interest rates would not have a material impact on the profit and equity for the current and previous periods of the Group or the Parent entity.

#### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who oversee a liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring there are appropriate plans in place to finance these future cash flows.

	Weighted average effective interest rate %	Less than 1 month Interest bearing - variable \$USD	1 to 3 months Interest bearing - variable \$USD	More than 3 months Interest bearing liabilities \$USD	Less than 1 month Non-interest bearing \$USD	1 to 3 months Non-interest bearing \$USD	More than 3 months Non-interest bearing \$USD
<b>2018</b>							
Cash and cash equivalents	-	5,772,287	-	-	-	-	-
Other receivables	-	-	-	-	-	267,624	770,000
Other payables	-	-	-	-	(377,682)	-	-
Interest bearing liabilities	15		(281,446)	-	-	-	-
<b>2017</b>							
Cash and cash equivalents	0.036	232,225	-	-	-	-	-
Other receivables	-	-	5,932	-	-	67,857	-
Other payables	-	-	-	-	(179,203)	-	-
Interest bearing liabilities	12.3			(1,000,000)			

5

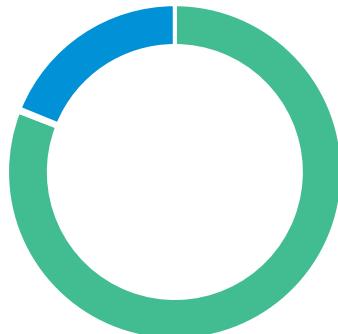
The Liquidity and Interest rate risk table above has been drawn up based on the undiscounted cash flow (including both interest and principal cash flows expected) using contractual maturities of financial assets and the earliest date on which the Group can be required to pay financial liabilities. Amounts for financial assets include interest earned on those assets except where it is anticipated cash will occur in a different period.

#### Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Credit risk is managed on a group basis. For banks and financial institutions, the Group aims to hold deposit with independently rated parties with a rating of 'A' or above based on S&P ratings. From time to time the Group may hold deposits with unrated institutions (i.e. exchanges) after trading in digital assets. The Group's credit risk exposure is set out below.

Due to the nature of the customers the Group engages with rating are not common place. Credit risk is therefore factored into the transaction price for services often in the form of bonus tokens or a discount to public token sale rate. At 30 June 2018 no customers had a publish credit rating.



**Credit risk  
by rating**

- AA-
- A
- A-
- BB
- Unrated

<b>Rating</b>	<b>\$USD</b>
AA-	5,507,458
A	4,175
A-	11,309
BB	4,124
Unrated	1,282,844
<b>Total</b>	<b>6,809,910</b>

#### Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

At 30 June 2018 all assets carried at fair value are deemed to be level 1 based on observable prices in an active market.

#### Fair value estimation

The Directors consider that the carrying amount of financial assets and financial liabilities, as recorded in the financial statements, represent or approximate their respective fair values.

### D3 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 bitcoin exchanges, 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 D4).

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L  
T  
D

	Year ended 30 June 18 \$USD	Year ended 30 June 2017 \$USD
Cash at bank	5,772,211	232,225
Cash deposits at call <sup>1</sup>	76	-
<b>Total cash and cash equivalents</b>	<b>5,772,287</b>	<b>232,225</b>

<sup>1</sup>Cash deposits at call include cash balances on exchanges. The balance originates following a liquidation of digital assets. Refer to Note D2 for information on liquidity and credit risk.

### D4 - DIGITAL ASSETS

#### Digital Assets

Digital assets are cryptocurrencies such as Bitcoin and Ethereum, which use an open-source software-based online system where transactions are recorded in a public ledger (blockchain) using its own unit of account. The Group is a broker-trader of bitcoin and other coins as it buys and sells principally for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. The Group measures digital assets at its fair value less costs to sell, with any change in fair value less costs to sell being recognised in profit or loss in the period of the change. Amounts are derecognised when the Group has transferred substantially all the risks and rewards of ownership. As a result of the various blockchain protocols, costs to sell are immaterial in the current period and no allowance is made for such costs.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Digital asset fair value measurement is a level 1 fair value as it is based on a quoted (unadjusted) market price (Coin Market Cap) in active markets for identical assets.

Digital assets are derecognised when the Group disposes of the inventory through its trading activities or when the Group otherwise loses control and, therefore, access to the economic benefits associated with ownership of the digital asset.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### Estimates & Judgements

##### (a) Digital assets (including bitcoin inventory)

Management considers that the Group's bitcoin and altcoins (any coin that is not bitcoin) are a commodity. As International Financial Reporting Standards do not define the term 'commodity,'

Management has considered the guidance in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (AASB 108) that allows an entity to consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practice to the extent that these do not conflict with the requirements of the International Financial Reporting Standards and the International Accounting Standards Board *Conceptual Framework*. Under United States Generally Accepted Accounting Principles (US GAAP) as set out in the Master Glossary of the Accounting Standards Codification, a commodity has been defined as “products whose units are interchangeable, are traded on an active market where customers are not readily identifiable, and are immediately marketable at quoted prices.” Based on this definition and the guidance in AASB 108, management has therefore determined that Bitcoins are a commodity notwithstanding that Bitcoins lack physical substance.

The Group’s activities include trading Bitcoins, primarily the buying and selling of Bitcoins and to a lesser extent trading in other Bitcoin trading products and, therefore, subsequent to initial recognition, Bitcoin inventory (whether received as consideration for mining activities or acquired through purchase) is held at fair value less costs to sell, reflecting the Group’s purpose of holding such Bitcoin inventory as a commodity broker-trader in accordance with AASB 102 *Inventories*. As a result of the Bitcoin protocol, costs to sell Bitcoin inventories are immaterial and no allowance is made for such costs. Changes in the amount of Bitcoin inventories based on fair value are included in profit or loss for the period.

Bitcoin inventory is derecognised when the Group disposes of the inventory through its trading activities or when the Group otherwise loses control, and, therefore, access to the economic benefits associated with ownership of the Bitcoin inventory. Inventory shrinkage arising from denial of access to the economic benefits associated with ownership of Bitcoin inventory are recognised as an expense in profit or loss on identification.

#### (b) Fair value of Digital Assets

Digital assets (including bitcoin inventory) is measured at fair value using the quoted price in United States dollars on the Coin Market Cap ([www.coinmarketcap.com](https://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 including Binance, KuCoin, Independent Reserve and others 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.

	Year ended 30 June 2018 \$USD	Year ended 30 June 2017 \$USD
Bitcoin <sup>1</sup>	2,764,706	10,034
Other listed digital assets <sup>1,2</sup>	1,494,484	-
Non listed digital assets <sup>3</sup>	241,092	-
<b>Total Digital Assets</b>	<b>4,500,282</b>	<b>10,034</b>

<sup>1</sup> Digital assets were measured at fair value using the closing price per Coin Market Cap (<https://coinmarketcap.com/>) as at 30 June 2018. Refer to Note 19 for prices at the date of this report.

<sup>2</sup> Includes all tokens that are not bitcoin that are listed on an exchange. The amount includes \$529,778 held by the DigitalX Fund.

<sup>3</sup> Includes all tokens not listed on an exchange. The amount includes \$149,991 held by the DigitalX Fund.

## D5 – INVESTMENTS

### Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

	Year ended 30 June 2018 \$USD	Year ended 30 June 2017 \$USD
Equity accounted investment in joint venture – Coincast <sup>A</sup>	56,581	-
Investment in DigitalX Fund <sup>B</sup>	-	-
	<b>56,581</b>	-

An amount of \$511,059 was written down for the Group's investments, of the total an amount of \$47,874 related to write down of Bitfunds following receipt of advice the listing would not proceed. The remaining amount relates to deferred tokens to be issued for which the market price had decreased materially at 30 June 2018.

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

During the period the Group entered into a 50:50 joint venture with Multiplier Pty Ltd by way of a \$USD19,437 (\$AUD25,000) investment to launch a new crypto business news website and online cryptocurrency education platform and television show. For the period ended 30 June 2018 the joint venture generated profit of \$USD74,288.

30 June 2018 \$USD
19,437
37,144
<b>56,581</b>

#### **B. Investment in DigitalX Funds Management Pty Ltd**

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

### C. Investment in DigitalX Fund

On 26 of April 2018, the Group provided seed capital to the DigitalX Fund (a unit trust) for the purpose of investing in and generating returns digital assets. At 30 June 2018, the Group has an interest in the fund of 46%, 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 30 June 2018 is \$AUD 0.79.

### D6 - INTEREST BEARING LIABILITIES & DERIVATIVES

Convertible notes – debt-liability component<sup>1,2</sup>

Convertible loan<sup>2</sup>

Convertible Notes – derivative liability component<sup>3</sup>

**Net carrying amount**

	Year ended 30 June 2018 \$USD	Year ended 30 June 2017 \$USD
	281,446	190,252
	-	223,920
	<b>281,446</b>	<b>414,172</b>
	-	121,026
	<b>281,446</b>	<b>535,198</b>

#### Reconciliation

##### Carrying amount at beginning of period

Convertible note – debt liability component	535,198	-
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Convertible note – transaction costs	360,459	235,585
--------------------------------------	---------	---------

Convertible note – derivative liability component	(360,459)	(93,314)
---	-----------	----------

Fair value adjustment of derivative liability component	-	141,223
---	---	---------

Amortisation of debt liability component	-	(20,197)
--	---	----------

Convertible loan	294,976	47,981
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Conversion of loans & notes	-	223,920
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<b>Carrying amount at end of period</b>	<b>(548,728)</b>	-
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	<b>281,446</b>	<b>535,198</b>
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Refer to Note D1 for fair value and liquidity disclosures. Subsequent to 30 June 2018, the convertible note was satisfied through the issue of 19,737,295 shares as per Note H4.

<sup>1</sup>The convertible notes were issued to various holders at various dates in the period in units of \$AUD10,000, with a 12-month maturity and an annual interest rate of 15%. The total face value of the lending in the period was \$AUD550,000. The holder may elect to convert into shares at a \$AUD0.027 per share. The note was determined to be a compound instrument result in a split between the liability and equity components. The holders were also granted free attaching options for each unit held. These have been valued as demonstrated in Note F2 and accounted for as transaction costs.

<sup>2</sup>The convertible notes were issued to various holders at various dates in the period in units of \$AUD10,000, with a 12-month maturity and an annual interest rate of 15%. The total face value of the lending in the period was \$AUD700,000. The holder may elect to convert into shares at a conversion right equal to the lower of 5 cents per share and the price of the next capital raise. This factor was determined to be an embedded derivative and has been separated and recorded as a financial liability. The holders were also granted 100,000 "free attaching" options for each unit held. These have been valued as demonstrated in Note F2 and accounted for as transaction costs. Performance rights were issued to consultants involved in the financing arrangement. The performance rights convert into 1,000,000 options exercisable at the lower of 6 cents or a 20% premium to the next capital raising price. These have been treated as transaction costs. Details to the valuation are disclosed in Note F2.

<sup>3</sup> The convertible loan was issued on 2 June 2018 in the amount of \$AUD300,000, with a 12-month maturity and a 12% annual interest rate. The loan may be converted at the election of the Company at a fixed price of \$AUD0.027 cents per share, subject to shareholder approval. This loan has been determined to be a compound instrument. However, management has determined that the conversion option for the instrument does not have a material intrinsic value and therefore nil amounts have been recorded as Equity.

<sup>4</sup>The derivative financial instrument is the conversion right of the holders of the notes. The liability has been measured at grant date using the valuation inputs and estimates as described in Note F2. The initial value at grant date was \$149,747. A re-measurement at 30 June 2018 resulted in a fair value of the instrument of \$121,026. The adjustment of \$20,197 has been recorded in profit or loss on the Statement of Profit or Loss and Other Comprehensive Income.l

## 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 43)

**E2** Intangible Assets (Page 46)

## E1 - PROPERTY, PLANT AND EQUIPMENT – COMPUTER EQUIPMENT

### Policy

Plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Plant and equipment are depreciated or amortised on a reducing balance or straight line basis at rates based upon their expected useful lives as follows:

- Bitcoin mining computer equipment – diminishing value at 25% per month, with the remaining carrying value of the equipment being fully depreciated in the month where the carrying value is 10% or less than the asset's original cost price
- Computer equipment – 3 years

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives. The estimated residual value of plant and equipment has been assessed to be zero. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with their carrying amount.

### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

### Estimates & Judgements (Prior Year Only)



The Directors have assessed the basis of depreciation of the Bitcoin computer mining hardware at 25% per month on a diminishing value basis.

The Bitcoin computer mining hardware is used to generate Bitcoins (refer to discussion on Revenue from Bitcoin Mining discussed in C3). The rate at which the Group generates bitcoins and, therefore, consumes the economic benefits of its Bitcoin computer mining hardware is influenced by a number of factors including the following:

- the complexity of the Mining process which is driven by the algorithms contained within the Bitcoin open source software;
- the general availability of appropriate computer processing capacity on a global basis (commonly referred to in the industry as hashing capacity which is measured in Petahash units); and
- technological obsolescence reflecting rapid development in the Bitcoin mining computer hardware industry such that more recently developed hardware is more economically efficient to run in terms of Bitcoins mined as a function of operating costs, primarily power costs i.e. the speed of hardware evolution in the industry is such that later hardware models generally have faster processing capacity combined with lower operating costs and a lower cost of purchase.

Because of both the Group and the industry's relatively short life cycle to date management has only limited data available to it. Furthermore, the data available also includes data derived from the use of economic modelling to forecast future Bitcoin generation and the assumptions included in such forecasts, including bitcoin price and network difficulty, are derived from management assumptions which are inherently judgemental. Based on current data available management has determined that 25% diminishing value best reflects the current expected useful life of Bitcoin computer mining hardware, the diminishing value determined for financial year ending 30 June 2018 is in line with the value applied for the financial year ending 30 June 2017. Management will review this estimate at each reporting date and will revise such estimates as and when data comes available. Whilst it is currently expected that the Group will dispose by sale of Bitcoin mining hardware at the end of its useful life due to the small volume of such transactions to date the Bitcoin computer mining hardware has been assumed to have no residual value at the end of its useful life. Management will review the appropriateness of its assumption of nil residual value at each reporting date.

As set out in Accounting Policy management also assess whether there are any indicators of impairment of property, plant and equipment at the end of each reporting period and if any such indication exists, the Group will estimate the recoverable amount of its property, plant and equipment.

	<b>Year ended 30 June 2018 \$USD</b>	<b>Year ended 30 June 2017 \$USD</b>
Cost	15,922	40,417
Accumulated depreciation	(15,420)	(29,585)
<b>Net Carrying amount</b>	<b>502</b>	<b>10,832</b>
<i>Reconciliation</i>		
Carrying amount at beginning of period	10,832	24,251
Additions	1,965	1,955
Disposals	-	(2,317)
Depreciation charge for the period	(12,295)	(13,057)
<b>Net carrying amount at end of period</b>	<b>502</b>	<b>10,832</b>

## E2 - NON-CURRENT ASSETS - INTANGIBLE ASSETS

### Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

### Capitalisation of development costs

The Group has been engaged in the development of its mobile application remittance software, "AirPocket". The development activities are part of an internal project, with costs incurred both by an internal software development team and through the outsourcing of development activities to external contractors. The total cost capitalised on the project at 30 June 2018 is \$USD2,016,187.

An intangible asset arising from the development phase of an internal project shall be recognised if, and only if, an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Company has evaluated the criteria required to be satisfied for an intangible asset arising from the development phase of an internal project to be recognised and conclude in respect to AirPocket that all conditions required to recognise an intangible asset generated from development of an internal project have been demonstrated. In particular the Group has entered memorandum of understanding (MoU) with global partners to form a Joint Venture Company (JVC) to facilitate the distribution and roll out of AirPocket through Latin America and the Caribbean.

The Company has evaluated the future economic benefit by modelling the expected future cash flows to estimate a value of the asset.

The Company has raised a \$USD1,966,669 impairment provision against the costs capitalised for its AirPocket intangible asset. This provision has been recorded in the current period as a result of a lack of historical data with respect to the estimates used in determining the fair value of AirPocket. The provision is to be reassessed at the next reporting date with anticipation that more information will be available to assess the recoverable amount of the asset.

	Year ended 30 June 2018 \$USD	Year ended 30 June 2017 \$USD
<i>Intellectual property</i>		
Cost	2,016,188	2,016,188
Accumulated amortisation	-	-
Provision for Impairment <sup>2</sup>	(1,966,669)	(1,966,669)
<b>Net Carrying amount</b>	<b>49,519</b>	<b>49,519</b>
<i>Reconciliation</i>		
Carrying amount at beginning of period	49,519	194,205
Additions	-	1,915,609
Write down of Intangible Assets	-	(93,626)
Provision of impairment of Intangible Assets	-	(1,966,669)
<b>Net carrying amount at end of period<sup>1</sup></b>	<b>49,519</b>	<b>49,519</b>

<sup>1</sup> Net of accumulated amortisation and provision for impairment

<sup>2</sup> The Group has raised a \$USD1,966,669 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 71)

**F2** Reserves (Page 74)

## F1 – CONTRIBUTED EQUITY

### (a) Issued and paid up Capital

Fully paid ordinary shares – 486,865,628  
 (2017: 212,044,933)

	Year ended 30 June 2018 \$USD	Year ended 30 June 2017 \$USD
	<b>30,431,588</b>	<b>22,653,332</b>

### (b) Movement in Ordinary Share Capital

Date	Details <sup>1</sup>	Number of Shares	Issue Price \$AUD	\$USD <sup>2</sup>
30-Jun-17	<b>Opening Balance</b>	<b>212,044,933</b>	-	<b>22,653,332</b>
16-Aug-17	Issue of Shares to Leigh Travers - CEO and Managing Director	500,000	0.038	14,900
16-Aug-17	Share Issue costs	-	-	-1,456
31-Aug-17	Issue of Shares to Ironside Capital as consideration under the Capital raising services and mandate fees	7,772,745	0.041	253,176
31-Aug-17	Issue of Subscription shares	74,074,074	0.027	1,547,318
31-Aug-17	Share Issue costs	-	-	-298,888
31-Aug-17	Issue of Loan Conversion Shares	11,111,111	0.027	236,940
31-Aug-17	Shares Issued on conversion of Convertible Notes	9,629,629	0.027	204,119
1-Sep-17	Issue of Shares in part consideration for capital raising services	988,867	0.027	20,656
1-Sep-17	Issue of Subscription shares	25,370,003	0.027	529,949
1-Sep-17	Share Issue costs	-	-	-46,322
1-Sep-17	Shares Issued on conversion of Convertible Notes	8,888,889	0.027	188,418
1-Sep-17	Issue of Shares on exercise of Options	500,000	0.08	31,594
5-Sep-17	Shares Issued on conversion of Convertible Notes	7,407,407	0.027	157,015
5-Sep-17	Share Issue costs	-	-	-5,004
8-Sep-17	Issue of Subscription shares	32,804,142	0.027	685,239
8-Sep-17	Share Issue costs	-	-	-4,374
8-Sep-17	Issue of Shares on exercise of Incentive options	5,700,000	0.0324	292,037
8-Sep-17	Early conversion of convertible note	-	-	7,953
12-Sep-17	Shares Issued on conversion of Convertible Notes	370,370	0.027	7,851
12-Sep-17	Share Issue costs	-	-	-1,632
12-Sep-17	Issue of Shares on exercise of Incentive options	4,000,000	0.0324	103,766
14-Sep-17	Issue of Subscription shares	600,000	0.027	24,776
14-Sep-17	Share Issue costs	-	-	-12,496

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14-Sep-17	Issue of Shares on exercise of Incentive options	600,000	0.0324	15,569
14-Sep-17	Early conversion of convertible note	-	-	13,433
22-Sep-17	Issue of Shares on exercise of Incentive options	1,000,000	0.0324	45,484
22-Sep-17	Issue of Shares on exercise of Incentive options	4,000,000	0.0324	103,696
22-Sep-17	Share Issue costs	-	-	-1,720
4-Oct-17	Issue of Shares on exercise of Incentive options	246,914	0.0324	20,233
4-Oct-17	Share Issue costs	-	-	-1,425
6-Oct-17	Issue of Shares to Director Faisal Khan	250,000	0.056	10,857
6-Oct-17	Share Issue costs	-	-	-1,430
9-Oct-17	Issue of Shares on exercise of Incentive options	917,284	0.0324	23,107
31-Oct-17	Issue of Shares on exercise of options	9,597,284	0.0324	549,422
3-Nov-17	Issue of Shares on exercise of options	3,725,000	0.08	225,621
3-Nov-17	Issue of Shares on exercise of options	620,000	0.0324	71,193
8-Nov-17	Issue of Shares on exercise of options	4,450,000	0.08	291,927
14-Nov-17	Issue of Shares on exercise of options	4,357,500	0.08	158,686
14-Nov-17	Issue of Shares on exercise of options	17,000,000	0.0324	232,166
14-Nov-17	Shares Issued on conversion of 10 Convertible Notes	3,703,704	0.027	29,316
17-Nov-17	Issue of Shares on exercise of options	405,000	0.08	25,700
17-Nov-17	Issue of Shares on exercise of Incentive options	11,308,519	0.0324	547,073
23-Nov-17	Issue of Shares to Directors	2,000,000	0.2	304,840
24-Nov-17	Issue of Shares on exercise of options	375,000	0.08	11,379
24-Nov-17	Issue of Shares on exercise of Incentive options	6,700,000	0.0324	244,958
24-Nov-17	Issue of Shares on exercise of Incentive options	2,000,000	0.0324	52,274
1-Dec-17	Issue of Shares on exercise of options	700,000	0.08	45,557
1-Dec-17	Issue of Shares on vesting of Tranche 3 of Performance Rights	1,000,000	0.215	162,626
12-Dec-17	Issue of Shares on exercise of options	160,000	0.08	10,375
12-Dec-17	Issue of Employee Incentive Shares	1,300,000	0.24	235,030
22-Dec-17	Issue of Shares on exercise of options	685,000	0.08	44,800
22-Dec-17	Share Issue costs	-	-	-1,615
9-Jan-18	Issue of Shares on exercise of options	35,000	0.08	2,190
9-Jan-18	Issue of Shares on exercise of options	246,914	0.0324	6,256
19-Jan-18	Issue of Shares on exercise of options	4,220,000	0.08	269,307
25-Jan-18	Issue of Shares on exercise of options	595,000	0.08	37,971

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25-Jan-18	Share Issue costs	-	-	(17,674)
2-Feb-18	Issue of Shares on exercise of options	215,000	0.08	13,578
16-Feb-18	Issue of Shares on exercise of options	517,500	0.08	32,683
1-Mar-18	Issue of Shares on exercise of options	1,000,000	-	-
14-Mar-18	Issue of Shares on exercise of options	246,914	0.0324	6,164
11-Apr-18	Issue of Shares on exercise of options	925,925	0.0324	23,114
<b>30-Jun-18</b>	<b>Closing Balance</b>	<b>486,865,628</b>		<b>30,431,588</b>
Date	Details <sup>1</sup>	Number of Shares	Issue Price A\$	\$USD <sup>2</sup>
1-Jul-16	Opening Balance	178,119,581	-	21,249,214
7-Sep-16	Placement of Shares	10,580,303	0.05	401,119
7-Sep-16	Share Issue costs	-	-	(22,942)
8-Dec-16 <sup>2</sup>	Placement of Shares	32,780,000	0.05	1,257,296
8-Dec-16	Share Issue costs	-	-	(92,189)
14-Dec-16 <sup>3</sup>	Share Buy-back and cancellation	(17,633,839)	0.03	(394,117)
14-Dec-16	Buy-back costs	-	-	(2,585)
19-Jan-17 <sup>4</sup>	Share Purchase Plan	4,232,000	0.05	159,549
19-Jan-17	Share Issue costs	-	-	(17,291)
7-Feb-17 <sup>5,6</sup>	Former Director share issue	1,466,888	0.05	56,263
7-Feb-17	Share Issue costs	-	-	(3,056)
7-Feb-17	Issue of shares to key employees	1,700,000	0.041	53,467
7-Feb-17	Share Issue costs	-	-	(1,499)
10-Feb-17 <sup>7</sup>	Shares Issued pursuant to Directors	800,000	0.05	11,447
10-Feb-17	Share Issue costs	-	-	(1,344)
<b>30-Jun-17</b>	<b>Closing Balance</b>	<b>212,044,933</b>		<b>22,653,332</b>

<sup>1</sup> Refer to the corresponding Appendix 3B for full details of each issue.

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

<sup>3</sup> Refer to Note H4 for any issues subsequent to the end of the reporting period.

#### 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

### Nature of reserves

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 reserve 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 <sup>1</sup>	Convertible Note Reserve	Foreign Exchange Reserve	Non-Controlling Interest
<b>1 July 2016</b>		<b>642,360</b>	-	-	-
Share options issued		396,194	-	-	-
Share options expired		(642,360)	-	-	-
<b>30 June 2017</b>		<b>396,194</b>	-	-	-
Share based payment expense		350,294	-	-	-
Share options issued		414,506	-	-	-
Conversion of options & rights		(375,754)	-	-	-
Equity portion of convertible note		-	78,465	-	-
Early conversion of convertible note		-	(15,785)	-	-
Conversion of foreign operations		-	-	(15,887)	
NCI share of profit or loss	P&L				(152,613)
NCI units issued in Unit Trust	G2				653,887
NCI share in translation difference					13,326
<b>30 June 2018</b>		<b>785,240</b>	<b>62,680</b>	<b>(15,887)</b>	<b>514,600</b>

<sup>1</sup> Ordinary share issues treated as share based payments that have no vesting conditions are recognised directly in equity.

### Share based payments

Employees and consultants of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

#### Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions, for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

#### 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:

<b>30 June 2018</b>		<b>Date of Issuance - Inputs</b>	
<b>Item</b>		<b>14 Sep 2017</b>	
Volatility (%) (see below)		119.96%	
Risk-free interest rate (%) – range		1.78%	
Expected life of option (years)		2	
Exercise price per terms & conditions		\$0.0324	
Underlying security spot price		\$0.074	
Valuation date		14 Sep 2017	
Expiry date		14 Sep 2019	
Valuation per option		\$0.0561	

<b>30 June 2017</b>		<b>Date of Issuance – Inputs</b>			
<b>Item</b>		<b>30 Mar 2017</b>	<b>21 Apr 2017</b>	<b>24 Apr 2017</b>	<b>23 May 2017</b>
Volatility (%) (see below)		99%	99%	99%	99%
Risk-free interest rate (%) – range		1.78%	1.78%	1.78%	1.78%
Expected life of option (years)		2	2	2	2
Exercise price per terms & conditions		\$0.06	\$0.06	\$0.06	\$0.06
Underlying security spot price		\$0.04	\$0.036	\$0.036	\$0.024
Valuation date		30 Mar 2018	21 April 2018	24 April 2018	23 May 2018
Expiry date		30 Mar 2019	21 April 2019	24 April 2019	23 May 2019
Valuation per option		\$0.021	\$0.018	\$0.018	\$0.01

#### Valuation of options and performance rights on issue or owed as at 30 June 2018

<b>Details</b>	<b>Number</b>	<b>Issue Date</b>	<b>30-Jun-18 \$USD</b>
Share options	15,840,000	14 Sep 2017	414,506
Performance rights	3,000,000	23 Nov 2017	231,836
			<b>646,342</b>

**Valuation of options and performance rights on issue or owed as at 30 June 2017**

During the financial year ended 30 June 2017 the Director's assessed the probability that the Class B Performance Rights, as issued in the prior period, would vest at 1 July 2017, to be 0%, and therefore the fair value of the Class B Performance rights has been determined to be nil. As the fair value is consistent with the amount recorded in prior period no impact on the financial performance is to be reflected at 30 June 2017.

Details	Number	Issue Date	30 June 2017 \$USD
Share options	5,000,000	16 Feb 2017	20,440
Share options <sup>1</sup>	5,000,000	30 Mar 2017	48,047
Performance rights <sup>1</sup>	8,640,000	30 Mar 2017	138,375
Share options <sup>1</sup>	5,000,000	21 April 2017	40,689
Performance rights <sup>1</sup>	8,640,000	21 April 2017	117,184
Share options <sup>1</sup>	100,000	24 April 2017	1,361
Performance rights <sup>1</sup>	288,000	24 April 2017	3,919
Share options <sup>1</sup>	900,000	23 May 2017	6,746
Performance rights <sup>1</sup>	2,592,000	23 May 2017	19,433
			<b>396,194</b>

<sup>1</sup>Relates to convertible notes issued on the same day as the issue date.

## 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 - PRINCIPLES OF CONSOLIDATION

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of DigitalX Limited (Company or Parent Entity) as at period end and the results of all subsidiaries for the period then ended. DigitalX Limited and its subsidiaries together are referred to as the Group or the Consolidated Entity.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### G2 - CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note G1. 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.

Name of Controlled Entity	Place of Incorporation	% of Shares Held 2018	% of Shares Held 2017
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%

Name of Controlled Entity	Place of Incorporation	% of Shares Held 2018	% of Shares Held 2017
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%	-
DigitalX Fund Unit Trust	Australia	46%	-

#### **Year ended 30 June 2018**

There were no changes to the controlled entities during the year ended 30 June 2018 except for those noted below:

##### **Investment in DigitalX Funds Management Pty Ltd**

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

##### **Investment in DigitalX Fund (DigitalX Fund Unit Trust)**

On the 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 30 June 2018, the Group has an interest in the fund of 46%, 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.

#### **Year ended 30 June 2017**

There were no changes to the controlled entities during the year ended 30 June 2017.

#### **G3 - PARENT ENTITY INFORMATION**

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Summary Note A for a summary of the significant accounting policies relating to the Group.

##### **Parent entity financial information**

The financial information for the parent entity, DigitalX Limited, disclosed below has been prepared on the same basis as the consolidated financial statements, except as set out below:

##### **Investments in subsidiaries, associates and joint venture entities**

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of DigitalX Limited.

##### **Financial guarantees**

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

#### Tax consolidation legislation

DigitalX Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, DigitalX Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, DigitalX Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate DigitalX Limited for any current tax payable assumed and are compensated by DigitalX Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to DigitalX Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial period. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

#### (a) Summary of financial information

	30 June 2018	30 June 2017
	\$USD	\$USD
<b>Financial position</b>		
Assets		
Current assets	7,599,816	172,091
Non-Current assets	4,637,480	228,400
<b>Total Assets</b>	<b>12,237,296</b>	<b>400,491</b>
<b>Liabilities</b>		
Current liabilities	(702,532)	(231,510)
Non-current liabilities	(715,889)	(2,137,579)
<b>Total liabilities</b>	<b>(1,418,421)</b>	<b>(2,369,089)</b>
<b>Equity</b>		
Contributed Equity	65,993,746	61,087,071
Retained earnings	(59,178,587)	(64,403,773)
Reserves	4,003,716	1,348,104
<b>Total equity</b>	<b>10,818,875</b>	<b>(1,968,598)</b>
<b>Financial performance</b>		
Profit/(loss) for the year	5,225,186	(4,306,339)
Other comprehensive income/(loss)	-	-
<b>Total comprehensive income/(loss)</b>	<b>5,225,186</b>	<b>(4,306,339)</b>

#### (b) Commitments and Contingent Liabilities of the parent

The parent entity did not have any contingent liabilities or commitments, as at 30 June 2018.

#### (c) Guarantees entered into the parent entity

There were no guarantees entered into by the parent entity.

## 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 81)

**H2** Commitments and contingents (Page 82)

**H3** New Accounting Standards and Interpretations (Page 82)

**H4** Events after reporting date (Page 85)

## H1 - RELATED PARTY TRANSACTIONS

### (a) Subsidiaries

Interests in subsidiaries are set out in Note G2. Balances and transaction between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

### (b) Transactions with key management personnel

	Year ended 30 June 2018 \$USD	Year ended 30 June 2017 \$USD
<b>Short term employee benefits</b>		
Salaries and fees	260,034	620,533
Director fees	105,780	62,441
Other benefits	88,082	-
<b>Post-Employment Benefits</b>		
<i>Superannuation</i>	25,964	6,521
<b>Share-based payments</b>		
Shares granted	423,165	66,484
Share, options and performance rights <sup>1</sup>	534,813	-
<b>Total Remuneration</b>	<b>1,437,838</b>	<b>755,979</b>

<sup>1</sup> Refer to Note E1 for details of the events relating to performance rights and options effecting key management personnel.

### (c) Transactions with director related entities

#### Year ended 30 June 2018

- During the financial year 2,546,000 unlisted options exercisable at \$AUD0.08, expiring on 30 June 2018, lapsed unexercised.
- During the year, the Group paid Steinepreis Paganin, a law firm of which former Non-Executive Director Toby Hicks is a partner, \$AUD116,607 for legal services rendered on various matters. At 30 June 2018, the Group owed \$AUD2,545 to Steinepreis Paganin.
- During the year, the Group recognised an expense and paid Blockchain Global Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein and Non-Executive Director Sam Lee, \$USD469,623 for services related to initial coin offerings. At 30 June 2018, no amounts were owed to Blockchain Global Ltd.
- During the year, Mars Capital Australia Pty Ltd, a company controlled by Non-Executive Director Sam Lee, was issued 14 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, as approved by Shareholders on 25 August 2017. Each convertible note was entitled to 100,000 incentive options, exercisable at \$AUD0.0324 and expiring 8 September 2019. During the year, \$AUD11,737 of interest was paid, and recognised as an expense, on the convertible notes held. At 30 June 2018, the Group owed \$AUD5,236 to Mars Capital Australia Pty Ltd for unpaid interest.
- During the year, Irwin Biotech Nominees Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, was issued 17 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, as approved by Shareholders on 25 August 2017. Each convertible note was entitled to 100,000 incentive options, exercisable at AUD0.0324. During the year, \$AUD16,422 of interest was paid, and recognised as an expense on the convertible notes held. At 30 June 2018, the Group owed \$AUD6,357 to Irwin Biotech for unpaid interest.

- During the year, Rip Opportunities Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, was issued 10 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, as approved by Shareholders on 25 August 2017. Each convertible note was entitled to 100,000 incentive options, exercisable at \$AUD0.0324 and expiring 14 September 2019. Convertible notes have been converted during the year. During the year, \$AUD2,589 of interest was paid on the convertible notes held. At 30 June 2018, no amounts were owed to Rip Opportunities Pty Ltd as the notes have been converted during the year.
- During the year, the Group paid Value Admin Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, \$USD22,231 as part of non-executive director fees.

#### **Year ended 30 June 2017**

- During the financial year 8,349,517 unlisted options exercisable at \$AUD0.286, expiring on 30 June 2018, lapsed unexercised.
- The financial effect of the options being forfeited is a credit to the accumulated losses in the current financial year of \$AUD642,360 based on the fair value of the options being initially accounted for at \$AUD0.18 cents.
- DigitalX Limited paid Mpire Media Pty Ltd (a company controlled by former Director Zhenya Tsvetnenko) \$AUD1,010 for the reimbursement of office rent, computer, telephone and offices supplies incurred by the consolidated group. The consolidated group shares an office with Mpire Media Pty Ltd in Perth, Western Australia.
- Digital CC Holdings Pty Limited paid Karis Holdings Inc (a company controlled by former Director Alex Karis) \$USD30,226 for the reimbursement of office rent, computer and offices supplies, legal expenses incurred by the consolidated group, domain names, telephone and administration staff reimbursements for the personnel in the Boston office. The consolidated group shares an office with Karis Marketing Group in Boston, Massachusetts and these costs incurred by the consolidated group were charged through Karis Holdings Inc.
- Digital CC Limited paid Sibella Capital Pty Ltd (a company controlled by former Director Brett Mitchell) \$AUD3,000 as part of non-executive director fees.
- Digital CC USA LLC extended a \$USD250,000 credit facility at 1.25% interest rate to Karis Holdings Inc, with \$USD156,061 being drawn down during the prior financial year, of which \$USD152,000 was repaid during the year.

## **H2 – COMMITMENTS AND CONTINGENCIES**

### **Commitments of the Group**

The Group did not have any commitments (other than those set out in note D2), as at 30 June 2018 (2017: Nil)

### **Guarantees entered into by the Group**

There were no guarantees entered into by the Group as at 30 June 2018 (2017: Nil)

### **Contingent Liabilities of the Group**

On 28 September the Company announced that it had been served with an Originating Application and Statement of Claim in the Federal Court of Australia filed by a group of parties relating to an investment made by those parties in an initial coin offering to which the Company was an advisor. While the Company and its legal advisors continue to review and examine the claims made, the Company denies any claim of wrongdoing and, for reasons that will become apparent as this matter progresses, believes that it has strong grounds to defend any claims brought forward by these applicants. As such, the Company intends to vigorously defend this matter and protect the reputation of the Company. The claim is for a combined amount of approximately US\$1,833,077 plus damages.

## **H3 - NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

### **Standards and Interpretations in issue not yet adopted**

The following table lists Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective and have not been early adopted by the Company for the reporting period ended 30 June 2018. These particular standards are considered relevant to the entity based on the balances and transactions presented within these financial statements.

Management are in the process of determining the potential impact of the initial application of the Standards and Interpretations. These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

New / revised pronouncement	Superseded pronouncement	Nature of the change	Effective date	Likely impact on initial application
<b>AASB 15 Revenue from Contracts with Customers</b>	AASB 118 <i>Revenue</i> AASB 111 <i>Construction Contracts</i>	<p>AASB 15:</p> <ul style="list-style-type: none"> <li>• replaces AASB 118 <i>Revenue</i>, AASB 111 <i>Construction Contracts</i> and some revenue-related Interpretations:</li> <li>– establishes a new revenue recognition model</li> <li>– changes the basis for deciding whether revenue is to be recognised over time or at a point in time</li> <li>– provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)</li> <li>– expands and improves disclosures about revenue</li> </ul>	1 January 2018	<p><i>When this Standard is first adopted for the year ending 30 June 2019, there will be an immaterial impact on the transactions and balances recognised in the financial statements to reflect over time performance obligations at 30 June 2018 for ongoing ICO engagements.</i></p> <p><i>The Group currently treats tokens received as non-cash consideration and considers that no material adjustment will be required at 30 June 2018 as amount of non-cash consideration record as owing approximates the fair value.</i></p>
<b>AASB 9 Financial Instruments (December 2014)</b>	AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	<p>AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking ‘expected loss’ impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:</p> <ol style="list-style-type: none"> <li>a Financial assets that are debt instruments will be classified based on: (i) the objective of the entity’s business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.</li> <li>b Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other</li> </ol>	1 January 2018	<p><i>When this Standard is first adopted for the year ending 30 June 2019, there will be not be a material impact on the transactions and balances recognised in the financial statements as the investments held by the Group are immaterial and the convertible note was satisfied on the 18<sup>th</sup> of September 2018.</i></p>

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New / revised pronouncement	Superseded pronouncement	Nature of the change	Effective date	Likely impact on initial application
		<p>comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>c Introduces a ‘fair value through other comprehensive income’ measurement category for particular simple debt instruments.</p> <p>d Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>e Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)</li> <li>the remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:</p> <ul style="list-style-type: none"> <li>classification and measurement of financial liabilities; and</li> <li>derecognition requirements for financial assets and liabilities</li> </ul> <p>AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.</p> <p>Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and</p>		

New / revised pronouncement	Superseded pronouncement	Nature of the change	Effective date	Likely impact on initial application
		applies to all financial instruments that are subject to impairment accounting.		
<b>AASB 16 Leases</b>	<i>AASB 117 Leases</i> Int. 4 <i>Determining whether an Arrangement contains a Lease</i> Int. 115 <i>Operating Leases—Lease Incentives</i> Int. 127 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	<p><b>AASB 16:</b></p> <ul style="list-style-type: none"> <li>• replaces AASB 117 <i>Leases</i> and some lease-related Interpretations</li> <li>• requires all leases to be accounted for ‘on-balance sheet’ by lessees, other than short-term and low value asset leases</li> <li>• provides new guidance on the application of the definition of lease and on sale and lease back accounting</li> <li>• largely retains the existing lessor accounting requirements in AASB 117</li> </ul> <p>requires new and different disclosures about leases</p>	1 January 2019	<p><i>When this Standard is first adopted for the year ending 30 June 2020, there will be no material impact on the transactions and balances recognised in the financial statements.</i></p> <p><i>However, as disclosed in Note H4 the Group has entered into a 5 year lease for commercial premises and will record a lease liability and corresponding right to use asset. The amount has not yet been determined as the fitout is ongoing at the date of this report but will not impact transactions and balances for the year ended 30 June 2018.</i></p>

#### H4 - EVENTS AFTER THE REPORTING DATE

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected the group’s operations, results or state of affairs, or may do so in future years other than those set out below.

Date of event	Details of event
5 July 2018	On 5 July 2018, 1,000,000 Tranche 2 Performance Rights converted on achievement of vesting conditions, as approved by shareholders on 23 November 2017.
17 July 2018	On 17 July 2018, the Group signed a 5 year lease for commercial premises, the total commitment excluding rent abatements is \$AUD808,125. As part of the lease a cash-backed guarantee equal to 6 months rent has been provided.
7 August 2018	On 7 of August 2018, 3,086,420 Shares were issued on exercise of 3,086,420 Unlisted Options, exercisable at \$0.0324 and expiring 8 September 2020.

29 August 2018	On the 29 of August 2018, DigitalX entered into an agreement to purchase \$AUD250,000 of YPB via convertible notes at \$0.018. DigitalX is also entitled to 1:1 options when the convertible notes are exercised at \$0.026 and 10% of all YPB tokens. DigitalX is entitled to various fees from services which are detailed into the announcement.
30 August 2018	On the 30 of August 2018, 85,185,185 ordinary shares were released from escrow.
7 September 2018	On the 7 of September 2018, Mr Toby Hicks retired as a Non-Executive Director.
18 September 2018	DigitalX has established a joint venture company, Future ICO Pty Ltd (Future ICO) with Blockchain Global Ltd and Big Start Pty Ltd to develop and operate the platform. The platform is designed to provide a seamless way for ICO applicants and ICO issuers to interact under a compliant framework.
18 September 2018	On 18 September 2018, 19,737,295 Shares and 8,800,000 Incentive Options were issued on exercise of 44 convertible notes with a face value of \$AUD10,000 each, converting to Shares at \$0.027 per share.
28 September 2018	On 28 September 2018 the Company announced that it had been served with an Originating Application and Statement of Claim in the Federal Court of Australia filed by a group of parties relating to an investment made by those parties in an initial coin offering to which the Company was an advisor. While the Company and its legal advisors continue to review and examine the claims made, the Company denies any claim of wrongdoing and, for reasons that will become apparent as this matter progresses, believes that it has strong grounds to defend any claims brought forward by these applicants. As such, the Company intends to vigorously defend this matter and protect the reputation of the Company. The claim is for a combined amount of approximately US\$1,833,077 plus damages.

Due to the volatile nature and the materiality of the digital assets held, we disclose the value of digital assets held by the Group, excluding the DigitalX Fund, as at the close date of the 25 September 2018.

Coin Symbol	Coin Amount	\$USD Spot Price	\$USD Balance
BTC	433.25	\$6,429	\$2,785,377
Alt-coins	-	-	\$165,697
<b>Total</b>	<b>-</b>	<b>-</b>	<b>\$2,951,074</b>

There were no other reportable subsequent events.

## CORPORATE DIRECTORY

### Directors

Peter Rubinstein  
*Non-Executive Chairman*

Leigh Travers  
*Managing Director and  
Chief Executive Officer*

Sam Lee  
*Non-Executive Director*

### Company Secretary

Shannon Coates

ABN  
59 009 575 035

### Registered Office and Principal Place of Business

Suite 5, 62 Ord Street  
West Perth WA 6005  
Tel: +61 (8) 9322 1587

### Auditor

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

### Stock Exchange Listing

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

### Share Registry

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)

## AUSTRALIAN SECURITIES EXCHANGE INFORMATION

The following information is current as at 25 September 2018.

### EXCHANGE LISTING

DigitalX Limited shares are listed on the Australian Securities Exchange. The Company's ASX code is DCC.

### DISTRIBUTION OF SHAREHOLDERS

The number of shareholders, by size of holding, are:

Range	Number of Holders	Number of Shares
1–1,000	178	41,600
1,001–5,000	3,927	11,830,101
5,001–10,000	2,029	16,478,704
10,001–100,000	3,696	123,005,352
100,001 and over	450	359,333,586
<b>Total</b>	<b>10,280</b>	<b>510,689,343</b>

### UNMARKETABLE PARCELS

Holdings of less than a marketable parcel of ordinary shares:

Holders: 4,203

Shares: 5,377

### UNQUOTED SECURITIES

For each class of unquoted securities, if a person holds 20% or more of the securities in a class, the name of the holder and number of securities held is disclosed.

### UNLISTED OPTIONS AND CONVERTIBLE NOTES

Unlisted Options exercisable at \$0.0324 each on or before 1 September 2019

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	1 <sup>1</sup>	100,000
100,001 and over	-	-
<b>Total</b>	<b>1</b>	<b>100,000</b>

Mr Zijing Xu holds 100,000 Options comprising 100% of this class.

**Unlisted Options exercisable at \$0.0324 each on or before 8 September 2019**

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	2 <sup>1,2</sup>	2,700,000
<b>Total</b>	<b>2</b>	<b>2,700,000</b>

<sup>1</sup> ACL Investment Australia Pty Ltd <ACL Family A/C> holds 1,300,000 options comprising 48.15% of this class.

<sup>2</sup> Mars Capital Australia Pty Ltd <Mars Family A/C> holds 1,400,000 options comprising 51.85% of this class.

**Unlisted Options exercisable at \$0.0324 each on or before 30 August 2020**

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	1 <sup>1</sup>	24,691,358
<b>Total</b>	<b>1</b>	<b>24,691,358</b>

<sup>1</sup> Blockchain Global Ltd holds 24,691,358 options comprising 100% of this class.

**Unlisted Options exercisable at \$0.0324 each on or before 1 September 2020**

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	6 <sup>1–4</sup>	6,172,840
<b>Total</b>	<b>6</b>	<b>6,172,840</b>

<sup>1</sup> Ozstudy Group Pty Ltd holds 1,234,568 options comprising 20% of this class.

<sup>2</sup> Tirelem Pty Ltd <The Tirelem Super Fund A/C> holds 1,234,568 options comprising 20% of this class.

<sup>3</sup> WHW Investments Pty Ltd <WHW A/C> holds 1,234,568 options comprising 20% of this class.

<sup>4</sup> YMG International Group Pty Ltd <YMG International Family A/C> holds 1,234,568 options comprising 20% of this class.

**Unlisted Options exercisable at \$0.0324 each on or before 18 September 2020.**

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	3 <sup>3</sup>	8,800,000
<b>Total</b>	<b>3</b>	<b>8,800,000</b>

<sup>1</sup> ACL Investment Australia Pty Ltd <ACL Family A/C> holds 2,600,000 Options comprising 29.55% of this class.

<sup>2</sup> Irwin Biotech Nominees Pty Ltd holds 3,400,000 Options comprising 38.64% of this class.

<sup>3</sup> Mars Capital Australia Pty Ltd <Mars Family A/C> holds 2,800,000 Options comprising 31.82% of this class.

#### LISTING OF 20 LARGEST SHAREHOLDERS

The names of the twenty largest registered holders of quoted ordinary shares are:

Name	Number of Shares	Percentage of Shares
BLOCKCHAIN GLOBAL LIMITED	63,274,074	12.39
J P MORGAN NOMINEES AUSTRALIA LIMITED	33,490,610	6.56
NRB INTERNATIONAL LLC	14,973,785	2.93
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	13,602,747	2.66
BLOCKCHAIN GLOBAL LTD	11,111,111	2.18
CITICORP NOMINEES PTY LIMITED	10,672,723	2.09
ONE CC PTY LTD <EXCEL FUND A/C>	10,500,000	2.06
MARS CAPITAL AUSTRALIA PTY LTD <MARS FAMILY A/C>	10,096,296	1.98
ACL INVESTMENT AUSTRALIA PTY LTD <ACL FAMILY A/C>	8,696,295	1.70
IRWIN BIOTECH NOMINEES PTY LTD	7,796,296	1.53
VALUE ADMIN.COM PTY LTD	7,000,000	1.37
MR NEEL KRISHNAN	6,507,500	1.27
IRWIN BIOTECH NOMINEES PTY LTD <BIOA A/C>	5,470,000	1.07
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,469,094	0.88
MRS LISA JANINE DE MEIO	4,042,000	0.79
MR ZIJING XU	3,703,704	0.73
YMG INTERNATIONAL GROUP PTY LTD <YMG INTERNATIONAL FAMILY A/C>	3,703,704	0.73
OZSTUDY GROUP PTY LTD	3,600,000	0.70
RIP OPPORTUNITIES PTY LTD <PIR SUPER A/C>	3,000,000	0.59
K C CONSULTING SERVICES PTY LTD <K C CONSULTING S/F A/C>	2,590,000	0.51
<b>TOTAL</b>	<b>228,299,939</b>	<b>44.70</b>

#### SUSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

Name	No of shares	% of shares
Blockchain Global Ltd	63,274,074	12.39

#### VOTING RIGHTS

All ordinary shares carry one vote per share without restriction. No voting rights are attached to Options or Convertible Notes.

#### ON MARKET BUY BACK

There is no current on-market buy-back.

#### SECURITIES APPROVED FOR PURPOSES OF S611 OF THE CORPORATIONS ACT

On 25 August 2017, Shareholders approved the following securities for the purposes of item 7 under s611 of the Corporations Act to Blockchain Global Limited (or its nominee) on the terms and conditions set out in the Explanatory Statement accompanying Notice of Meeting dated 24 July 2017. As at the 25 September 2018, these issues are only partially completed, as described below:

a)	129,819,193	Subscription Shares (129,804,379 issued)
b)	43,268,737	Subscription Options (43,268,127 issued)
c)	43,268,737	Shares upon the exercise of Subscription Options (b) (37,897,879 issued)
d)	11,111,111	Shares upon conversion of Loan (11,111,111 issued)
e)	55	Subscription Convertible Notes (55 issued)
f)	20,370,370	Shares upon conversion of Subscription Convertible Notes (e) (20,370,370 issued)
g)	5,500,000	Subscription Convertible Note Options issued free attaching to the Subscription Convertible Notes (e) (5,500,000 issued)
h)	5,500,000	Shares upon exercise of the Subscription Convertible Note Options (g) (2,700,000 issued)
i)	11,000,000	Incentive Options (11,000,000 issued)
j)	11,000,000	Shares upon exercise of the Incentive Options (i) (2,200,000 issued)

#### CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement for the 2018 financial year can be accessed at:

<https://digitalx.com/corporate-governance/>

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