

JUNE 2020 QUARTERLY REPORT

DigitalX Limited (ASX:DCC, DigitalX and the Company) provides the following report on activities completed in the quarter ended 30 June 2020.

HIGHLIGHTS

- The Company continued to execute on its previously announced business plan
- Digital asset education and research collaboration commenced to accelerate the awareness and interest of digital asset investment through DigitalX
- DigitalX Bitcoin Fund listed on Netwealth wealth management platform
- Continuation of delivery of consulting services and development of new customer opportunities and submission of consulting tenders for government programs
- Progression of working group to utilise Blockchain in the development of new FinTech and RegTech products
- Reduction in operating cash outflow of 59%

QUARTERLY OVERVIEW

A. Summary of Working Capital Position

DigitalX had cash, listed digital assets and liquid unlisted investments of over US\$7.2m in value as at 30 June 2020.¹

Symbol	Name	Balance	Spot Price (\$USD)	Value (\$USD)
USD	US Dollars			\$2,799,672
BTC	Bitcoin ²	431	\$9,138 ³	\$3,938,116
-	Other digital assets			\$968
-	Unlisted investments ⁴			\$467,836
Total				US\$7,206,591⁵

¹As from 1 July 2020, the Company will be undertaking all financial reporting in Australian Dollars.

²This includes 216 Bitcoin held directly and DigitalX's share of 215 Bitcoin in the DigitalX Bitcoin Fund.

³Since the end of the quarter, the Bitcoin price has increased to \$10,191 at the date of this report.

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

⁵AUD/USD spot rate at the quarter ended 30 June 2020 was \$0.689.

Liquid assets for the period increased by a total of \$1.25m, up **22%** from the March 2020 quarter. The increase in Bitcoin price to \$9,138 led to an increase of \$1.18m in the Company's BTC holdings, a **42%** improvement on the previous quarter, and the AUD appreciation (**13%**) contributed to a positive impact of \$312k.

The operating cash outflow for the quarter was \$227k with receipts of \$90k¹. This represents a quarter on quarter decrease in outflows of **59%**. This is a result of the expenditure reductions announced on 29 April 2020, including the deferral of Director fees, as well as the receipt of revenues from consulting engagements and receipt of Government incentives. Expenditure incurred during the quarter comprised predominantly of staff costs (\$182k) and administration and corporate costs (\$111k).

In accordance with ASX Listing Rule 4.7C.3, \$55k was paid to related parties or their associates during the quarter, comprising Executive Director salary, Non-executive Director fees and superannuation, and legal fees paid to Steinepreis Paganin (of which Mr Hicks is a Partner).

B. Business Activities

Overview

Throughout the quarter, DigitalX continued to execute on its business plan. Activities have focused on the continuation of growth around the Company's fund management division and the ongoing expansion of the Company's consulting and development division.

In addition, the Company implemented cost saving measures intended to enable the Company to navigate the uncertainties of COVID-19 impacts.

Blockchain Consulting and Development

Consulting - Consensus Driven Audit Platform

During the quarter, the Company was contracted to provide technical resources for the completion of a proof of concept (PoC) for the previously announced Consensus Driven Audit Platform. This blockchain based platform enables participants in a resources joint venture (JV) to view an immutable record of costs incurred by the JV. Rules based logic established in the JV agreement are then applied using smart contracts to automatically verify that each participant's share of costs is correct, which can represent significant cost reductions compared to existing manual audit processes. Working with a large global accounting firm, DigitalX provided technical and product management resources to design and develop the PoCs smart contract and blockchain functionality, which was then integrated with the platform's user interface. Discussions are currently ongoing as to the commercialisation and future scale up of the platform's development.

Product Development - FinTech and RegTech Applications

DigitalX has been actively investigating opportunities to build products and services on top of the major Distributed Ledger Technology (DLT) projects within Australia. The Board has established a working group to actively identify the highest priority opportunities for the creation of FinTech and RegTech digital products to leverage the Company's expertise.

¹ Total includes \$37k receipts from customers and \$53k government incentives

The Company's previously established working group continued in its activities to identify, validate and build open financial technology products with high potential DLT applications. Starting with a broad set of product ideas, the group has undertaken a process of early stage customer development interviews and rapid prototyping in order to validate those ideas with the highest probability of market success and value to shareholders.

xbullion

The Company has largely completed its deliverables to the xbullion project.

xbullion offers digitally transferable ownership of physical gold bullion that is vaulted, audited and insured. xbullion delivered a number of important milestones over the quarter. The infrastructure, supply agreements, legal structure, partnerships and customer portal have been all upgraded for the upcoming launch.

Notably, the smart contract and fee schedule were updated to better reflect the key value proposition of the gold bullion product which was audited by security firm Zokyo.

The xbullion gold bullion product is currently undergoing soft launch ahead of the full product launch in the next quarter.

The Company has a 15% interest in xbullion after a recent capital raising.

DigitalX Asset Management

DigitalX is the investment manager of digital asset investment products that provide qualified investors a secure and easy way to access digital asset exposure. The Company operates the DigitalX Bitcoin Fund and the Digital Asset Fund, a diversified basket of leading digital assets.

In the last quarter the DigitalX Bitcoin Fund returned **28.99%** and the Digital Asset Fund returned **18.61%**. The relative underperformance from the Digital Asset Fund was due to the unlisted digital assets held at cost during the period. In early July, the Digital Asset Fund sold those unlisted digital assets off market at cost and rebalanced exposure to be fully invested into listed digital assets.

DigitalX Asset Management has elevated the quality of the digital asset research and education through a collaboration with Delphi Digital. Delphi Digital is based in New York and produces actionable content on critical themes affecting digital assets and blockchain technology.

The positive momentum in digital asset prices has been led by the acceleration towards digital due to COVID-19 and the unprecedented central bank and government stimulus responses.

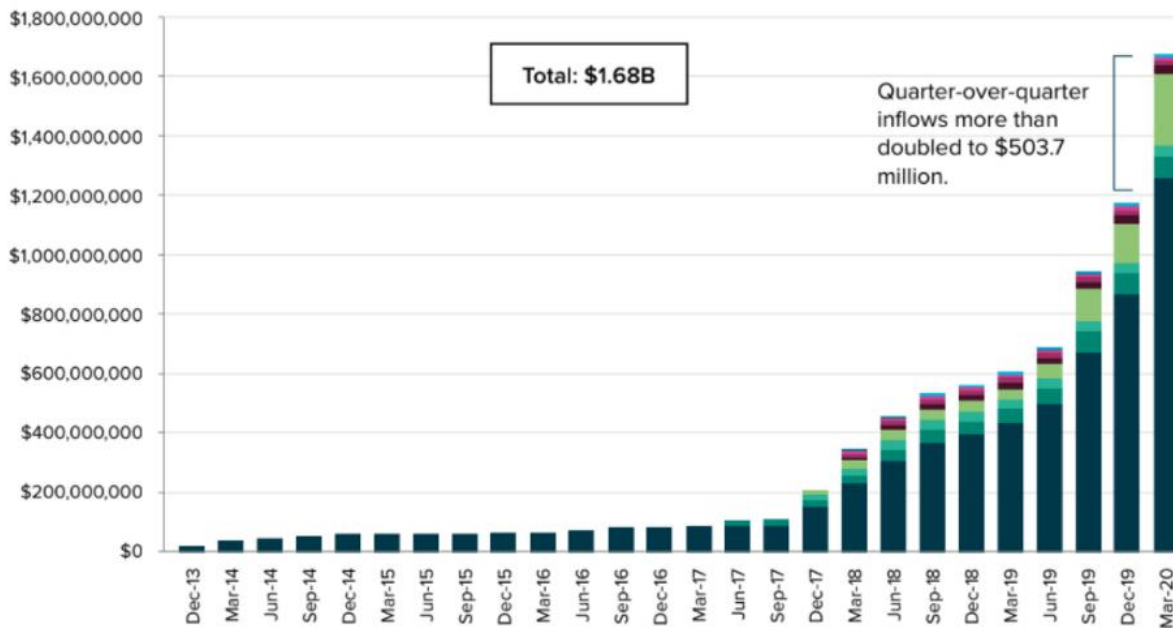
Management has continued to work toward securing a product listing on a wealth management planning platform. Pleasingly, the fund has been added by Australia's number 1 rated wealth management platform Netwealth (ASX:NWL). The challenges in acquiring Bitcoin from cryptocurrency exchanges, storing them securely and managing tax and audit complexities have been the biggest barriers to entry for potential Bitcoin investors. The DigitalX Bitcoin Fund was specifically built to solve these pain points for investors and its addition to the Netwealth platform further serves this purpose.

The total funds under management are still at modest levels, although the Company reasonably believes that the increase in prices and ongoing education campaigns provide opportunities to see growth over the coming period on the back of improvements to the distribution and marketing infrastructure as well

as the positive tailwind from monetary and fiscal stimulus, demographic changes and the growing acceptance of the asset class.

DigitalX notes the assets under management growth of the industry’s largest funds took time to reach critical mass and then rapidly grew in line with market and price appreciation inflection points.

FIGURE 4: GRAYSCALE CUMULATIVE QUARTERLY INFLOWS SINCE INCEPTION
 SEPTEMBER 25, 2013 THROUGH MARCH 31, 2019



Source: Grayscale Investments LLC

The chart above reflects the growth of digital asset funds under management over time, segmented by fund product, within Grayscale Investment LLC.

C. Outlook

The environment for digital products continues to be positive, as evidenced through the digital asset market as well as a number of new commercial opportunities the DigitalX Group is pursuing.

The Asset Management division continues to enhance its marketing and distribution capabilities through channels such as Netwealth, Delphi Digital, Ausbiz TV² and Finance News Network and is pleased to see the assets under management continue to grow in July.

The Company looks forward to updating the market on its product development efforts.

² <https://www.youtube.com/watch?v=Z6-UvrfeGXg>

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D. Corporate Activities

Further to the Company Update announced on 29 April 2020, with the easing of COVID-19 restrictions in Western Australia, the Blockchain Centre has begun hosting blockchain and fintech events and workshops, in accordance with government health and safety guidelines, to drive opportunities for the Company. The Company continues to experience an increase in interest in hosting events within the Blockchain Centre.

The Company has also seen an increase in demand for leasing of desk space within the Blockchain Centre, enabling the Company to offset its leasing costs against fees payable for desks within the Blockchain Centre.

The Company applied for the Federal Government's Job Keeper support during the period, as well as receiving the Government's SME Cash flow Boost. Incentives received for the quarter totaled AU\$73k. DigitalX expects to receive the Job Keeper allowance through to the end of Phase 1 in September 2020. During the quarter, the Group submitted an Export Marketing and Development Grant application and subsequently received AU\$75k on 7 July 2020.

- Ends-

Authorised by the Board of DigitalX Limited.

For further information, please contact:

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About DigitalX

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

www.digitalx.com
<https://digitalx.fund/>

APPENDIX 4C

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

Name of entity

DigitalX Ltd

ABN

59 009 575 035

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	37	155
1.2 Payments for		
(a) research and development	-	-
(b) advertising and marketing	(12)	(73)
(c) leased assets	-	-
(d) staff costs	(182)	(1,046)
(e) administration and corporate costs	(111)	(1,106)
(f) professional fees	(19)	(166)
(g) settlement costs	-	(104)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	23
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	53	53
1.8 Other (provide details if material)	-	12
1.9 Net cash from / (used in) operating activities	(227)	(2,252)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1)	(9)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(4)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1)	(13)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(5)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	(5)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,714	5,210
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(227)	(2,252)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(13)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(5)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	314	(139)
4.6	Cash and cash equivalents at end of period¹	2,800	2,800

Note 1: At the date of this report, the Group holds Bitcoin, listed digital assets and other unlisted investments which are considered to be highly liquid and can be converted into cash when required as set out on page 1 of the Quarterly Activities Report.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	2,800	2,714
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,800	2,714

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 ²	55
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note 2: Amounts paid to related parties includes salary and wages, directors fees, and reimbursements, and legal fees.

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

7.5 Unused financing facilities available at quarter end	-
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7.6 Description of facilities	
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8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(227)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,800
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	-
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	12.33

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

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

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

Answer: Not applicable

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

Answer: Not applicable

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

Answer: Not applicable

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

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Compliance statement

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

Date: 30 July 2020
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Authorised by: Board of DigitalX Limited
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(Name of body or officer authorising release)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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