

ASX ANNOUNCEMENT 12 MARCH 2021 DRAWBRIDGE AND REGTECH BUSINESS UPDATE

Highlights

- Execution of the commercialisation and growth plan for Drawbridge commenced, comprising market strategy, brand identity, key messaging, pricing, customer acquisition models and roadmap of new products and features
- Four growing ASX-listed companies currently representing more than 80 users have signed on to use the Drawbridge application for approvals under their Securities Trading Policy as part of the now-closed Early Adopter Program
- Share sale facility for employees as a bolt-on revenue stream for Drawbridge identified and enabled through the execution of a Memorandum of Understanding (**MoU**) with FinTech stock broker, Sell My Shares
- Technology viability assessment of migration to the ASX's DAML environment complete with testing for the migration underway
- DigitalX plans for Drawbridge to become one of the first third-party applications to be hosted on the ASX environment
- Panel of Commonwealth Bank of Australia and RegTech Association judges have selected DigitalX as one of five global finalists to present Drawbridge to over 1,000 delegates at the 2021 Accelerate RegTech conference¹, sponsored by Microsoft and FICO, in late March 2021

DigitalX Limited ('**DigitalX**' or '**the Company**'), the first ASX-listed blockchain technology company, is pleased to update the market on the commercialisation and growth plan for its RegTech application Drawbridge which provides digital governance for publicly listed companies.

Product vision for Drawbridge

Good corporate governance is fundamentally about **trust; in institutions and in people**. Through their unique design, distributed ledger technologies like blockchain are enabling new forms of digital trust that are being used to meaningfully raise governance standards.

The overarching vision for Drawbridge has been established by the Company to provide guidance for the product's strategic development and commercial growth. The vision for Drawbridge is:

"To be the digital governance standard for the world's 630,000 publicly listed companies."

¹ <https://regtech.org.au/accelerate2021/>

Image 1: Overview of Drawbridge

Product roadmap - Starting with a digital solution for Securities Trading Policies

To achieve this vision, the starting point on the product roadmap for Drawbridge is focused on reducing insider trading risks for listed companies, with future services and features on the roadmap to be set by evidence-based feedback from customers according to the business value they provide. The first version of the Drawbridge application helps to mitigate insider trading by providing a digital solution for companies to track and automate staff and director share trading approvals under their Securities Trading Policy; a process which to date has been mostly manual and often error prone.

Early adopter programme (EAP)

The purpose of the EAP is to demonstrate the benefits of the Drawbridge Securities Trading Policy application within its target market of risk and compliance executives at publicly listed companies, and to gain customer feedback to define additional features with evidence-based market demand. In exchange, EAP customers receive uniquely early and discounted access to Drawbridge for managing their trading approvals as well as advanced, first-hand experience into how share registry data can be leveraged within their business through the ASX environment.

Four ASX-Listed companies, including DigitalX are participating in the EAP over a 12-week period. The process involves the setup of each company's policy rules, onboarding of employees and directors, and ongoing education as to their insider trading obligations. The north star metric for Drawbridge is measured by the number of users under a Securities Trading Policy onboarded to the application. Across the four listed companies in the EAP, this metric currently sits at more than 80.

Share sale facility

In conjunction with valuable early feedback from EAP customers, the Company has identified an important feature in the ability to facilitate one-off share sales for employees, such as those employed overseas or with limited access to and/or knowledge of the Australian securities market.

Consequently, the Company has executed a Memorandum of Understanding with Sell My Shares² (SMS), one of Australia's leading one-off share sale brokers. Under the MoU, the two entities will define how Drawbridge users can access a streamlined process for executing approved share sale transactions under their company's security dealing policy.

In addition to offering additional functionality to users of the product, this arrangement will **create an additional revenue stream** for the Company by way of marketing fees to be agreed upon as part of the terms of the MoU.

² Sell My Shares is an Authorised Representative (number 405311) of Barclay Wells Limited which holds AFS Licence 235 070.

Migration to the ASX DLT

As previously disclosed, the digital asset modelling language (DAML) technology underpinning the Drawbridge application is part of the same technology being implemented by the ASX to create its DLT platform and subsequent goal of replacing the clearing and settlements system, CHES.

As part of recent development activities, the Company's technical team have assessed the requirements for migrating key components of the Drawbridge application to the ASX's environment, including the DAML infrastructure containing Drawbridge's transaction records. The Company's goal is to become the first third-party application to be hosted on the ASX's DLT.

Marketing and customer acquisition activities

The Company has been selected by a panel of judges from Commonwealth Bank of Australia and the RegTech Association to present as a finalist to the 2021 Accelerate RegTech global conference. The event will include regulators, regulated entities, professional services firms, industry associations and technology companies from 30 countries, with over 1,000 attendees last year. The presentation will take place on 25 March 2021.

The Company has also begun ramping up marketing activities under its commercialisation strategy targeting customers at key stages of the Securities Trading Policy life cycle; before IPO, when lodging change in director interest notices, and following a policy compliance breach. The goal of these activities is to promote awareness of the product among its customer segment, demonstrate the benefits of Drawbridge to sales leads, and acquire new customers by converting leads to active paying customers to drive revenues.

With new invitations to participate in the EAP now closed, the Company is now focusing on engaging and acquiring larger listed company customers with 100 employees or more on a standard pricing model.

DigitalX is well-funded to continue executing its strategic growth plan following the A\$8.8m commitment from US institutional investors to fund a range of initiatives including the rollout of Drawbridge.

Strong RegTech market tailwinds

The global RegTech market is expected to grow from USD\$6.3 billion in 2020 to USD\$16.0 billion by 2025, representing a CAGR of 20.3%³. Financial services companies and securities exchange participants face increasing regulatory and governance expectations which present significant structural cost pressures. The continued embrace of digital business models and solutions is seeing rising interest as a way to fulfill greater regulatory compliance obligations without increasing costs.

On the domestic front, Australia is home to the third largest number of RegTech companies operating globally⁴, which is testament to its reputation as a jurisdiction with supportive regulatory agencies. Furthermore, world leading financial technology infrastructure projects such as the ASX's distributed

³<https://www.marketsandmarkets.com/Market-Reports/regtech-market-63447434.html>

⁴ <https://www.bcg.com/en-au/publications/2020/australia-global-regtech-hub-poised-for-growth>

ledger system (DLT) are set to give global first mover advantages to building new digital business models through the deployments of new capital markets applications.

Leigh Travers, Executive Director of DigitalX said:

“We are pleased with the early progress of our unique RegTech application, Drawbridge. Invitations to the EAP have been closed and we are prioritising the activation of additional revenue stream opportunities via share sale facilities. At the same time, Drawbridge’s integration with ASX’s environments continues to progress and we are increasing business development activities to grow awareness of the application. The vision for Drawbridge is to become the global gold standard for the digital governance of listed companies.”

-Ends-

Authorised by the Board of Directors of DigitalX Limited.

For further information, please contact:

DigitalX Limited
Leigh Travers
Executive Director
E: leigh@digitalx.com
T: +61 439 376 847

About DigitalX

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

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