

ASX ANNOUNCEMENT 31 JANUARY 2023 DECEMBER 2022 QUARTERLY REPORT

DigitalX Limited (ASX:DCC, OTCQB:DGGXF) (“**DigitalX**” or “**the Company**”) is pleased to provide an update on its activities for the quarter ended 31 December 2022, along with its Appendix 4C cash flow report.

HIGHLIGHTS

- Record quarterly revenue generation from Sell My Shares (“SMS”)
- 20% increase in recurring revenues on previous quarter (excluding one-off sale of HMT tokens)
- Binding referral agreement signed with Automic Group - expected to deliver additional SMS revenue growth from Q3 FY23
- Active Treasury asset management to optimise future investment opportunities
- Executing key revenue enhancement objectives, including T+0 and deceased estates, and continued development of the Real World Asset Tokenisation Fund

Commenting on the Quarter, DigitalX Chief Executive Officer Lisa Wade said:

“Although digital asset and broader equity market conditions remained challenging over the quarter, we focused on executing our strategy with pleasing results. Our core goals of increasing revenue, signing a referral agreement with Automic Group for our Sell My Shares business, prudent cash management and optimising balance sheet assets were well executed and set up the Company for an exciting year ahead.

Pleasingly, the Sell My Shares business reported record revenue over the quarter with solid contributions arising from the new same day settlement service (T+0) - a recently implemented, higher margin revenue initiative announced in the September quarter. Furthermore, 21% of our quarterly brokerage revenue was as a direct result of our strategic initiative to gain market share in deceased estate opportunities.

In December, we continued to analyse the optimisation of our liquid assets on our balance sheet and converted \$800k of Bitcoin into cash for future investment opportunities.”

INVESTOR WEBINAR

Please join DigitalX Chief Executive Officer Lisa Wade for the December 2022 Quarterly Report Webinar on Thursday February 9, 2023 at 4:00 PM AEDT.

To register for the session and for more information on the December 2022 Quarterly Report, please click [here](#).

Investors can submit questions prior to the webinar via the registration link or by emailing investors@digitalx.com.

STRATEGY

Execution of the Company's updated strategy is progressing as planned, with the soft launch of the same-day settlement offering for Sell My Shares, ETH staking nodes, working concept of a real world asset fund and fund tokenisation proof of concept all having been completed, launched and/or tested during the period. Pleasingly, same-day settlement (T+0) was launched in Q2 FY2023 which has generated additional revenue for the business during the initial 3 month test phase. Steps towards further growth of this product are expected to be announced in Q4 FY2023 as we incorporate the tokenisation of this model, described more fully below, in Product Development. The strategic partnership with Automic Group was agreed in late 2022. Both teams are excited about a number of areas in which the companies are able to leverage off each other through existing business products and technology synergies.

For the current quarter, DigitalX is targeting the launch of the Real World Asset Tokenisation Fund with additional key partnerships aligned to the Company's strong conviction in this space, and further announcements with regard to Automic Group and the continued alignment between the two businesses.

Further, DigitalX continues to work on aligning staff and culture to the new strategic objectives. This ensures accountability and responsibility are a key basis for all Company priorities and are aligned as KPIs for each member of the team.

FINANCIAL REVIEW

DigitalX had cash, listed digital assets and liquid unlisted investments of AU\$15.5m in value as at 31 December 2022.

Name	Value (\$AUD)
Australian Dollars ¹	\$4,448,830
Bitcoin ²	\$4,388,994
Fund units ³	\$6,207,584
Other liquid investments	\$421,277
Total	AUD\$15,466,685

¹ Includes \$490,000 XAUD token which the Company considers to be cash and cash equivalent.

² Total Bitcoin in Treasury at 31 December 2022 was 180.70

³ Includes total units in the DigitalX BTC Fund and DigitalX Fund based on the respective NAV at 30 December 2022.

Liquid cash and digital assets for the quarter decreased by approximately \$4.0m. Volatile markets continued during this period with unrealised losses on non-cash investments and digital assets contributing \$2.3m to the decrease and net cash outflows through operations of \$1.7m making up the balance. The Company converted a small portion of its investment and treasury holdings during the period. As noted in the prior quarter, the sale of the Company's full holding in Human Protocol Tokens (HMT), which came out of escrow during the period, was settled via a structured sale arrangement at a premium to market for \$1.1m. Further, a small tranche of the Bitcoin held in treasury was converted into cash during December.

Total cash receipts for the December quarter continued to match the Company's forecast upward trajectory. Excluding proceeds from the one-off HMT sale, revenue from Sell My Shares and DigitalX Asset Management was \$502k, a 20% increase on the previous quarter's recurring revenue. This is a pleasing result given continued volatility in the digital assets market which has impacted fund management revenues. New revenue initiatives introduced included T+0 settlement as an option within our Sell My Shares business, as mentioned above. This has provided a small additional margin during the

quarter representing >5% of new revenue on a monthly basis. This is expected to grow with a more direct marketing program and additional trades expected from our Automic Group partnership.

There was an ongoing focus on cost reduction through the period, whilst ensuring the right foundations are set to support the strategic initiatives set by the CEO and the Board. The incoming interim CFO implemented a full review across the business with a 10-15% annualised target reduction in total costs by the end of FY2023.

Some of these initiatives have already been set in place with major line items lower than the previous quarter with the exception of staff costs, with further attention to be paid to this over the course of the next six months. Further detail is contained in the accompanying 4C report for December 2022, with improvements in key line items summarised below:

- Administration/corporate costs of \$453k, a 36% reduction to the previous quarter;
- Professional fees of \$296k, a 25% reduction to the previous quarter; and
- Advertising and marketing costs of \$145k, a 51% reduction to the previous quarter.

Staff costs of \$1.3m was primarily due to a number of employee redundancy charges paid later in the reporting period as well as timing on superannuation payments.

Operating outflows are expected to reduce upon execution of cost control initiatives implemented by the CFO and management team over the course of the next six months. In combination with the focus on sustainably growing revenue, the Company anticipates moving towards a cashflow positive state.

In accordance with ASX Listing Rule 4.7C.3, \$57k was paid to related parties or their associates during the quarter (prior quarter \$42k), including Non-Executive Director remuneration and legal fees paid to Steinepreis Paganin (of which DigitalX Chair Mr Hicks is a Partner).

BUSINESS REVIEW

DIGITAL ASSET FUNDS MANAGEMENT

DigitalX Asset Management, a wholly owned subsidiary of DigitalX Limited, is the Investment Manager of two wholesale investment funds that provide qualified investors with secure and streamlined access to digital assets. The Company manages the DigitalX Bitcoin Fund, a passive investment strategy with an institutional grade custodian, and the Digital Asset Fund that provides simplified access to an actively managed and diversified portfolio of leading digital assets. The two DigitalX funds solve the technical and administrative challenges of investing in this emerging asset class.

Fund Performance and Activities

The DigitalX Bitcoin Fund and the Digital Asset Fund both declined over the quarter, falling 18.8% and 22.2% respectively. Comparatively, the S&P Cryptocurrency Top 10 Equal Weight Index (“Index”) declined 26.5% in what was a particularly disappointing period that included the collapse of the FTX exchange and fears of contagion within the sector.

Despite the fall in digital asset values, DigitalX continues to demonstrate it offers a safe pair of hands for investors seeking exposure to this emerging asset class. Notably, the Company did not have any funds on the FTX exchange and sold the small portfolio holding in FTT tokens prior to its price collapse. Furthermore, neither Fund had any exposure to FTX, Alameda Research, BlockFi, Genesis or Grayscale and all DigitalX Fund assets are secured with an institutional grade custodian with insurance. As professional investors, the funds management team closely monitors counter-party risk in terms of how they execute trades, with funds spending minimal time on third-party exchanges. In addition, DigitalX only trades via trusted exchanges that meet strict due diligence requirements. Outside of when trades are executed, 100% of the Company’s digital assets are held in cold storage.

With heightened volatility following the bankruptcies of FTX & Alameda, as well as the ongoing uncertainty surrounding the solvency of digital asset lender Genesis Global Capital, the Digital Asset Fund maintains a relatively defensive portfolio with overweight positions in Bitcoin and Ethereum.

Pleasingly, net flows out of the funds were less than \$160k over the period while both funds have experienced a positive start to the new year with digital asset prices up strongly.

DigitalX Fund Analyst Information Sessions

At DigitalX, it is our aim to keep things open and transparent and to give stakeholders as much information about investing in the sector as we can. Recognising the volatility and uncertainty within the markets, the Funds Management team conducts Monthly Fund Analyst Zoom calls to engage with existing and potential investors across Australia. To register for the next fund analyst information session please click [here](#).

Sell My Shares

Record Revenue Generation

Sell My Shares generated more than \$426k in brokerage revenue over the quarter. This was a record quarterly revenue figure since Sell My Shares was acquired in October 2021, and 33% higher than the previous quarter. The result is particularly impressive given December is traditionally slower for share sales over the holiday period.

Automic Group Partnership

During the quarter, DigitalX announced a binding agreement with leading Australian share registry business Automic Group for the referral of customers to the Company's Sell My Shares specialist online stockbroking service. The partnership is expected to deliver new brokerage revenues for both parties and is an example of the continued execution of DigitalX's growth strategy for the Sell My Shares business.

Under the three-year agreement, shareholders of Automic Group's ASX-listed client companies will be able to access the Sell My Shares service through the Automic Group investor portal, offering a convenient solution for share sale execution.

A condition on the formalisation of the partnership was for DigitalX to provide Automic Group with a report on the outcome of cyber security penetration testing with Phase 1 completed during the quarter

and identified no critical issues. The final follow-up tests are expected to be completed by the first week in February 2023. Initial revenues through referrals under the agreement are expected during the March quarter following the implementation of a link to Sell My Shares within the Automic Group investor portal.

PRODUCT DEVELOPMENT

Drawbridge

Drawbridge, the Company's security trading approval app offering corporate governance and regulation technology for listed entities, has a test integration with the sandbox environment of Synfini, the ASX's Distributed Ledger Technology as a service platform.

Synfini and Drawbridge use DAML, the same underlying Distributed Ledger Technology as the ASX's CHES Replacement Project, on which work was suspended during the quarter. DigitalX confirmed that Synfini is unaffected by the decision and development of Drawbridge and its customer base continued as planned in the reporting period. In particular, the Company has been in discussions with share registry business to adopt Drawbridge as an additional offering for their listed company client base.

Ethereum Validator Nodes & Staking

As announced in August 2022¹, the Company launched its own Ethereum validator nodes to maximise the utilisation of its digital assets and generate staking revenue. Each Ethereum validator node requires 32 ETH to be staked as a deposit, which then generates a return in exchange for the node's contribution of computational resources needed to run the network.

In total, 4 nodes (requiring 128 ETH) were staked over the December quarter which generated 1.21 ETH in staking revenue. This quarterly staking revenue transpires into a annualised revenue yield of approximately 3.8%.

The nodes have been developed with best practice and robust cyber security principles designed to appropriately manage technical risks associated with staking.

¹ ASX release - Launch of Ethereum Validator Node to Generate Revenue - 17 August 2022

Tokenised Investment Pool – T0k

During the quarter the product team successfully completed a Proof of Concept for a tokenised investment pool, named T0k. The pool demonstrates how qualified investors could earn a return by providing capital required to fund the settlement of shares on a same day, or T+0 basis.

As previously announced in the Company's September 2022 Quarterly Report, the Company's Sell My Shares business recently launched a service for customers to receive funds from their share sale on the same day (T+0) for an additional fee. This enables customers to receive their money sooner by avoiding the traditional two day period for ASX settlement (T+2).

Currently, this service is funded using the Company's cash holdings. The Proof of Concept demonstrates how in future this could be scaled to offer the service to other brokers, with capital provided by investors in the pool, who receive a share of the T+0 fees as a return.

The investment pool works using a smart contract which automates the deposit, fee accrual, and withdrawal process via the Ethereum blockchain. The tokenisation of this investment pool allows for increased accessibility and liquidity for investors, as well as improved transparency and security through the use of blockchain technology.

Tokenisation also enables the fractionalisation of investments, allowing for a wider range of investors to participate and benefit from the growth of the investment pool. DigitalX believes that this new offering will greatly enhance the user experience of the same-day share sale settlement service and the Company looks forward to continuing to innovate and push the boundaries of blockchain technology in the future.

CORPORATE

Treasury

The focus for the quarter was to manage existing exposure to digital assets, with a divestment of non-core holdings in tokens or investments that do not fit the Company's mandate going forward. As noted in the September Quarterly Report, the Company divested 100% of its holding Human Protocol, generating approximately \$1.1m in cash with a small tranche of the Company's Bitcoin converted later in the quarter for approximately \$800k. Valuations and liquidity of the remaining small holdings in non-core digital assets are being continually reviewed.

Environment, Social and Governance (ESG)

As part of its ongoing commitment to ESG, DigitalX released its initial baseline disclosure report showing its measurement against the World Economic Forum (WEF) metrics in the September quarter. The Company continues to work with Social Suite to maintain its ongoing reporting standards and maintains, through regular review the following ongoing actions:

- Integrating its core purpose into day-to-day activities;
- Further upgrade of internal systems to allow the Company to accurately track, measure and report on the people components of its ESG strategy including better reporting around diversity and training;
- Completion of an annual risk review in line with ASX Corporate Governance Principles and the risk component of the WEF framework with incorporation of ESG factors; and
- Ongoing enhancement of areas in which gaps have been identified.

A copy of the report is available [here](#).

Mt Gox

Background

In the March 2022 Quarterly Report², the Company noted that it had previously commenced proceedings in the District Court of Massachusetts to secure the rights to Bitcoin that has been recovered by liquidators of historical crypto exchange, Mt Gox. The announcement went on to report that Mr Alex Karis, a former director of the Company, had lodged a claim with the bankruptcy trustee of Mt Gox in his own name (despite having entered into an agreement to transfer the trading accounts to which those Bitcoin relate to a subsidiary of the Company (as referred to in Section 11.17 of the Company's 2014 Prospectus) and that he had also filed proceedings in the Federal Court of Australia claiming amounts he states are owing to him by the Company. The Company asserts that it does not owe any amount to Mr Karis and intends to defend these proceeds to the fullest extent.

During the December quarter, the Company secured an escrow wallet in Australia and moved all legal proceedings to an Australian jurisdiction which will save considerable costs. Further updates on this matter will be announced as appropriate.

Finally, the only current date is 16 March, when DigitalX's three applications (for summary judgment, strike out, and security for costs) are listed for hearing.

Executive changes

In October Chief Financial Officer Jonathan Carley tendered his resignation after five years with the Company. Mr Carley's duties have been assumed by experienced finance and investment executive Christopher Alexander who has been appointed by the board in an interim capacity while a search for a permanent replacement is undertaken. Christopher has over 25 years' experience as a CFO, COO, founder and partner in a range of listed and unlisted public and private companies. This includes 20 years' international experience in investment management, specifically establishing and managing private equity and hedge fund businesses, both here and overseas. Christopher has been working within DigitalX on strategy execution and assisting with updating and improving both the financial and operational processes within the business to support that.

² ASX release - Quarterly Activities/Appendix 4C Cash Flow Report - 29 April 2022

OUTLOOK

Although the March 2023 quarter started with a substantial bounce in broader markets, further volatility cannot be ruled out. Management remains squarely focused on executing key strategic initiatives through:

- 1) Continued improvement of sustainable revenue opportunities, including:
 - a) Growing the same-day settlement (T+0) and deceased estates initiatives and introducing new products in these areas; and
 - b) further integration and expansion of partnership with Automic Group.
- 2) Continuing to position Drawbridge as a centrepiece for listed companies to bridge compliance and digital financial services.
- 3) Developing and strengthening strategic partnerships to support Drawbridge and the Funds Management business.
- 4) Launch of the Real World Asset Tokenisation Fund and investing in opportunities to generate returns for investors.
- 5) Implementing initiatives to deliver 10-15% reduction in cost base.
- 6) Building the Company's ecosystem through new strategic partnerships that carry revenue-generating potential.
- 7) Continuing to work with Digital Finance CRC with the adoption of Web3.0 (new digital financial infrastructure).

- Ends-

Authorised by the Board of DigitalX Limited.

For further information, please contact:

Investor Enquiries

DigitalX Limited
Lisa Wade
Chief Executive Officer

E: investors@digitalx.com

Media Enquiries

GRA Partners
Luke Forrestal
Director, Financial Communications
T: +61 411 479 144
E: Luke.forrestal@grapartners.com.au

About DigitalX Limited (ASX:DCC)

DigitalX is a technology and investment company focused on growing the blockchain economy through its digital asset funds management business, digital fintech and regtech products, and blockchain ventures.

DigitalX's product team designs and develops blockchain technology applications for business and enterprise organisations.

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 which is supporting listed companies to better manage their compliance and corporate governance policies. With Drawbridge, companies can manage employee and director share trading approvals in order to safeguard their reputations.

www.digitalx.com | www.digitalx.fund | www.opendrawbridge.io | www.sellmyshares.com.au

APPENDIX 4C

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

Name of entity

DigitalX Limited

ABN

59 009 575 035

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows		Current quarter \$AUD'000	Year to date (6 months) \$AUD'000
1.	Cash flows from operating activities		
1.1	a) Receipts from customers	502	920
	b) Other Revenue	1,111	1,111
1.2	Payments for		
	(a) research and development	(83)	(83)
	(b) advertising and marketing	(145)	(438)
	(c) leased assets	-	-
	(d) staff costs	(1,282)	(2,076)
	(e) administration and corporate costs	(435)	(1,114)
	(f) professional fees	(296)	(693)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	(47)
1.9	Net cash from / (used in) operating activities	(627)	(2,418)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(16)	(45)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	(10)

Consolidated statement of cash flows		Current quarter \$AUD'000	Year to date (6 months) \$AUD'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	802	802
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	(22)
2.6	Net cash from / (used in) investing activities	786	725

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	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,289	6,141
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(627)	(2,418)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	786	725
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$AUD'000	Year to date (6 months) \$AUD'000
4.5	Effect of movement in exchange rates on cash held	(1)	-
4.6	Cash and cash equivalents at end of period¹	4,447	4,447

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

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$AUD'000	Previous quarter \$AUD'000
5.1	Bank balances	3,957	3,799
5.2	Call deposits	490	490
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)	4,447	4,289

6.	Payments to related parties of the entity and their associates	Current quarter \$AUD'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 ²	57
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note 2: Amounts paid to related parties includes Executive Director salary, superannuation and payout of accrued entitlements, Non-Executive Director superannuation, and legal & consulting fees.

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

7.5 Unused financing facilities available at quarter end

-

7.6 Description of facilities

-

8.	Estimated cash available for future operating activities	\$AUD'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(627)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,447
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,447
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	7.09

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

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

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

Answer: Not applicable

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

Answer: Not applicable

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

Answer: Not applicable

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

Compliance statement

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

Date: 31 January 2023

Authorised by: Board of DigitalX Limited