

## DECEMBER 2018 QUARTERLY REPORT

DigitalX Limited (ASX:DCC, DigitalX and the Company) provides the following report on activities completed in the quarter ended 31 December 2018.

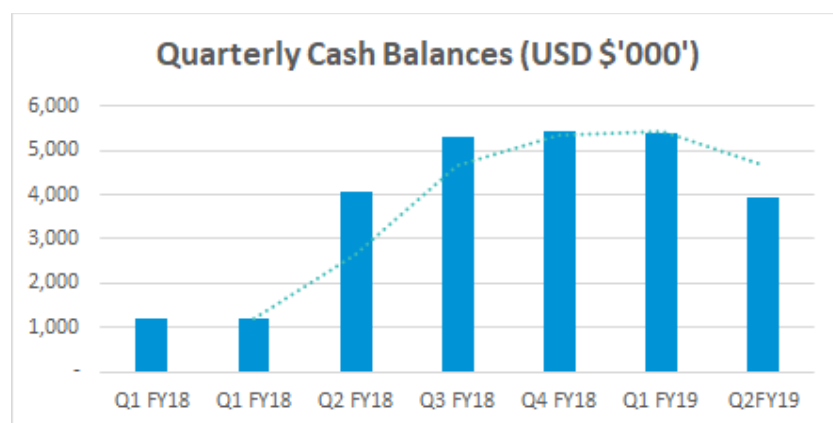
### HIGHLIGHTS

- DigitalX launches DX Americas with US Investment Bank AmerX to service the Security Token Offering (STO) market
- Progress of Blockchain funds management across South America and Europe to accompany the Australian arm of DigitalX funds management
- Blockchain Centre Perth launch

### QUARTERLY OVERVIEW

#### A. Summary of Working Capital Position

DigitalX had cash, listed digital assets and fund units of ~US\$6.1m in value at quarter end. The Company made significant investments in the Perth Blockchain Centre and the Asset Management division during the quarter which have laid the foundation for success. The expenditure over the remainder of the year is expected to decrease.



DigitalX exchange listed cryptoasset holdings and DigitalX Investment fund units as at 31 December 2018 are tabled below:

Name	Balance	Price	Total (\$USD)
Bitcoin	431.42	\$3,747.39	\$1,616,708
Other listed Altcoins <sup>1</sup>	-	-	\$112,785
Unlisted investments	-	-	\$422,165
<b>Total</b>			<b>\$2,151,658</b>

<sup>1</sup> Total excludes amounts for tokens pending listing on an exchange and/or for which an active market is not observable. DigitalX has additional unlisted cryptoassets.

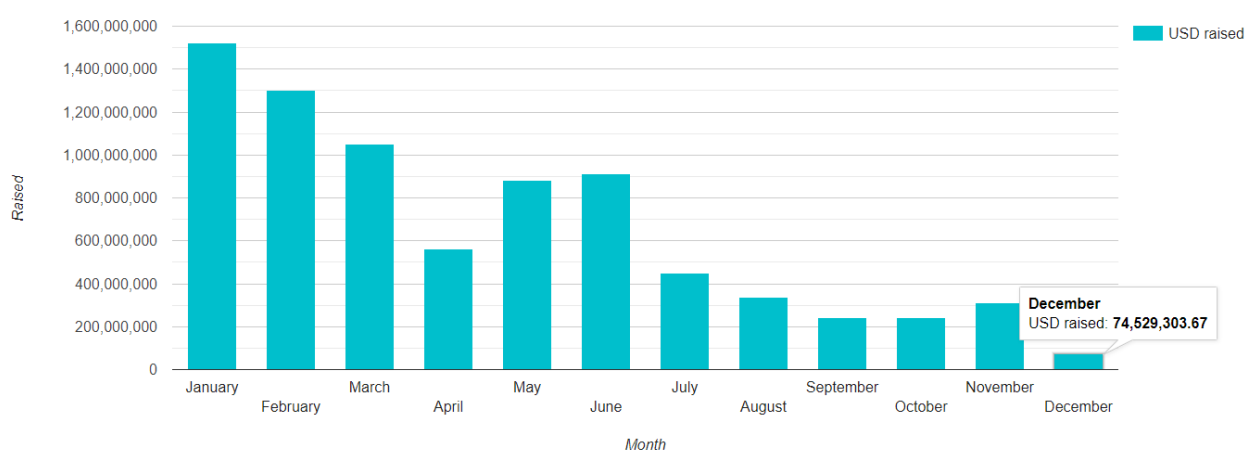
The Company is continuing its strategy and execution through its four business lines; advisory services for ICOs and Security Token Offerings (STOs), blockchain consulting, asset management and media and education.

## B. Business Activities

### Token Advisory

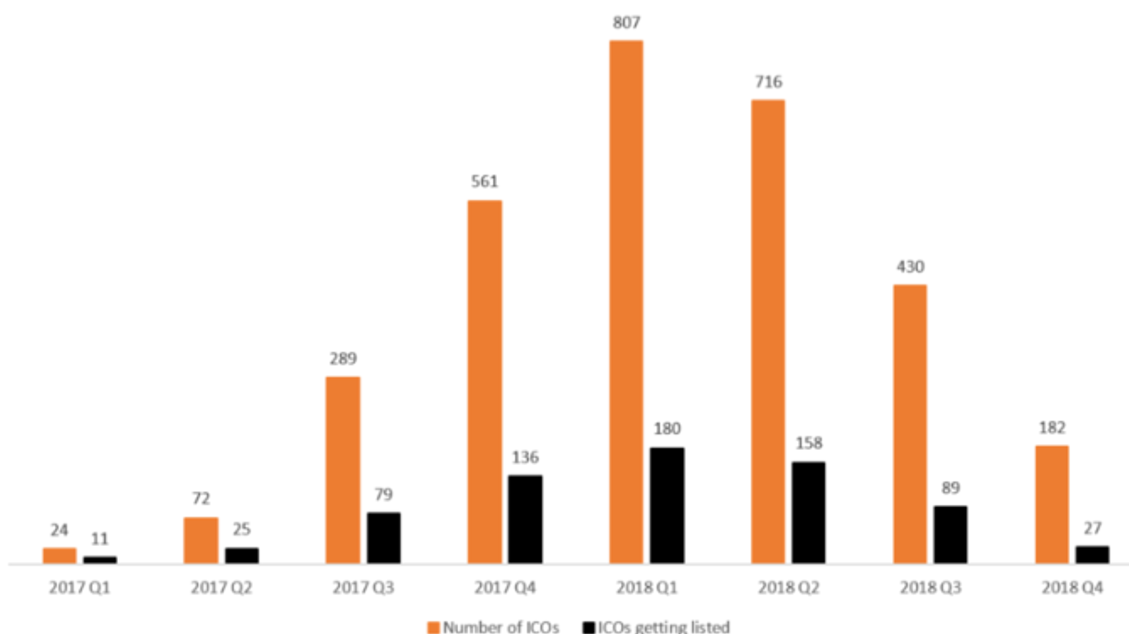
The ICO funding market slowed considerably during the quarter, reflecting the short-term sentiment within the cryptoasset market. A small number of projects globally did release their token during the period which resulted in prices with weak support. DigitalX continued to provide ICO advisory services during the quarter to clients that were mandated prior to the quarter beginning. As announced in the September quarterly, DigitalX has been working diligently on shaping its offering towards STO's to reflect the sustained downturn in the ICO marketplace.

**Table 1. ICO funding per month in 2018 (US\$)**



Source. <https://www.icodata.io/stats/2018>

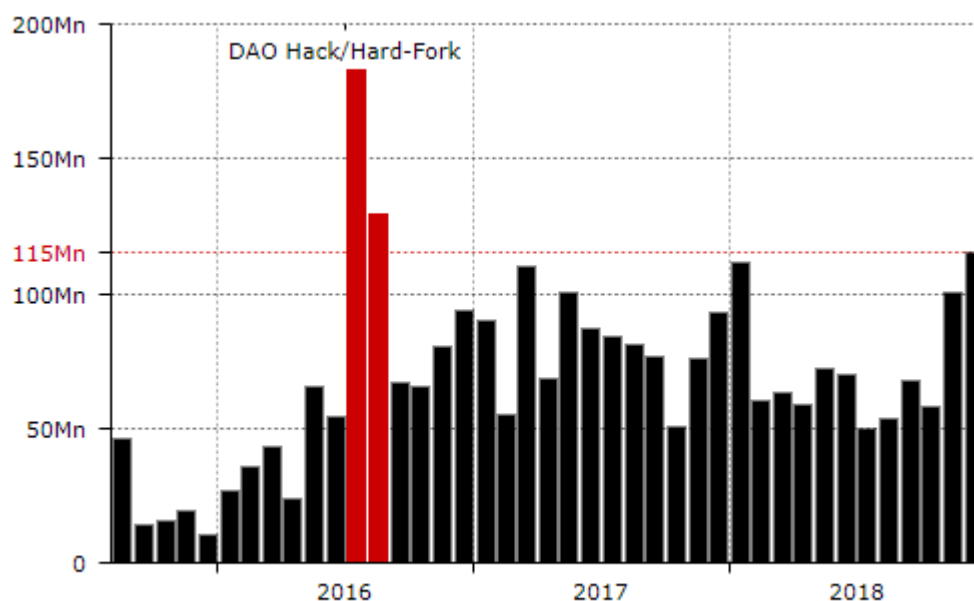
**Table 2. Number of ICO's live during quarter vs number of ICO's which listed on exchanges**



Source. <https://www.inwara.com/report/annual-report-2018>

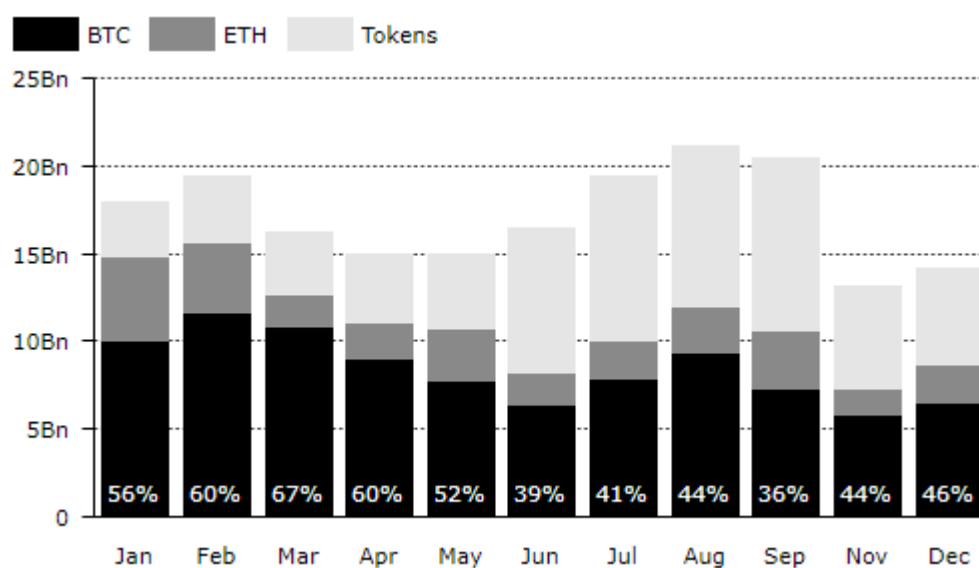
While interest in new cryptoassets was soft, the activity in major cryptoassets Bitcoin and Ethereum was strong outside of pricing. For example, the volume on transactions on the Ethereum blockchain picked up to record highs (excluding activity around the DAO<sup>i</sup>) and number of transactions on the major cryptoasset exchange Binance remained relatively high. This usage and activity in the dominant blockchain platforms highlights to management that despite a major drawdown in the prices of cryptoasset, interest in the technology is not going away.

**Table 3. On-Chain Transaction volume on Ethereum blockchain**



Source. <https://diar.co/volume-3-issue-2/>

**Table 4. Binance Trading Volume and % split of trading in BTC vs all cryptoassets**



Source. <https://diar.co/volume-3-issue-1/>

### **DXAmericas Joint Venture Update**

On 22 November 2018, DigitalX announced it had launched an incorporated joint venture with US-based investment bank and broker-dealer Americas Executions (AmerX) to service the STO marketplace. The joint venture reviewed a number of advisory client opportunities for STO's and is building the pipeline of leads interested in advisory services required to successfully execute a security token offering. Preliminary client discussions are in the early stages of assessment and negotiation.

### ***ICO Platform – “FutureICO” now FutureEdge Capital***

The progress of the FutureICO platform has been slower than anticipated due to a rebrand to FutureEdge Capital and difficulties in obtaining banking services for the platform. DigitalX still expects to launch this financial year, subject to clearing all regulatory and compliance hurdles and securing banking services.

### ***Blockchain Consulting***

DigitalX received a number of enquiries and delivered several proposals for blockchain consulting services during the quarter. The consulting business provided smart contracting services for a token backed by gold bullion and blockchain certified with Bullion Assets Management (BAM) based in Singapore. This project marks DigitalX's first involvement in a stablecoin, described by Forbes as “the true essence of what an optimal cryptocurrency should really be; Stable, Scalable, Private, and Decentralised.”<sup>ii</sup>

### ***DigitalX Asset Management***

DigitalX has ramped up efforts in the Asset Management division and has established a network of potential investors in Europe and the Americas. The index fund established in Australia during April 2018 has funding levels which are at the seed stage; pleasingly, the fund outperformed the top 20 crypto index for the quarter.

The portfolio management team has retooled the strategy for additional funds to broaden potential investments to equity as well as tokens in response to significant research and investor meetings. As well as defining the strategy, the team continued to produce and distribute research during the period which shape the foundation of our investment strategy. The distribution team made significant efforts on investor outreach and investor presentations during the quarter and is focused on securing assets during 2019.

### ***Media and Education “Coincast Media”***

Coincast Media is a joint venture company with Multiplier Media that operates a suite of media assets including Coincast TV, Coincast News and the Coin.org education tutorial platform. The company also provides investor relations, public relations and marketing services to global blockchain businesses.

Coincast Media finalised the first 12-week series of weekly blockchain TV show Coincast TV in November, delivering to a core marketplace aged 18-34 with an average salary around \$85,000. Coincast Media is currently in negotiations with a new major broadcaster for the launch of the second season of Coincast TV in early 2019. The market will be notified once an agreement has been finalized. Coincast Media expects to ramp up client activity as the STO marketplace expands during 2019.

### ***Blockchain Centre Perth Opening***

DigitalX was pleased to host the official launch of the Blockchain Centre Perth during the quarter. The event was well attended by members of the blockchain technology community, including guest presentations from Power Ledger Chair Jemma Green, Bitfury and Hut8 director Bill Tai as well as DigitalX directors Sam Lee and CEO Leigh Travers. The Blockchain Centre has been established to provide a place for startups and corporates in the fintech and blockchain industry to connect and

collaborate, and has continued to attract new tenants to the space with the aim of it becoming a profit centre in the future.

On 20 November 2018, the Company changed its registered office and principal place of business to the Blockchain Centre Perth at:

Suite 1, Level 2  
66 Kings Park Road  
West Perth WA 6005  
Phone: 0439 503 955  
Email: [info@digitalx.com](mailto:info@digitalx.com)



## C. Corporate Overview

### Legal Proceedings

Further to the announcement on 28 September 2018 in relation to the court proceedings we have received a request for mediation from the other parties and continue to vigorously defend their claims which we believe have no basis. The mediation session is scheduled for the end of March.

### Capital Structure Changes

During the period, 100,000 fully paid ordinary shares were issued upon exercise of unlisted options. Following shareholder approval at the Company's 2018 Annual General Meeting, 9,000,000 performance rights were issued to the Managing Director and 9,000,000 unlisted options issued to non-executive Directors.

## Outlook

The Company remains at the forefront of research and activity in the blockchain and cryptoasset market as it builds its global brand within this emerging sector. The establishment of the Perth Blockchain Centre is testament to the commitment towards the technology and the growth of the industry over the long term. As the STO market matures over 2019, DigitalX is positioned well to provide services and remains leveraged to an uptick in activity in any activity in cryptoassets.

Ends

## For further information, please contact:

### DigitalX Limited

Leigh Travers

Managing Director & Chief Executive Officer

[leigh@digitalx.com](mailto:leigh@digitalx.com)

T: +61 439 376 847

### Media Contact

Heidi Cuthbert

Managing Director

[heidi@coincastmedia.com](mailto:heidi@coincastmedia.com)

T: +61 411 272 366

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## About DigitalX

DigitalX is positioned as the leading publicly listed blockchain corporate advisory firm globally. DigitalX is based out of Perth and New York and provides blockchain advisory services, consulting services and software development. DigitalX's partners can use DigitalX's blockchain technology expertise to deliver innovative products to global markets.

[www.digitalx.com](http://www.digitalx.com)

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<sup>i</sup> <https://www.coindesk.com/information/what-is-a-dao-ethereum>

<sup>ii</sup> <https://www.forbes.com/sites/jonathanmoed/2018/10/31/with-the-rise-of-stablecoins-can-crypto-finally-realize-its-potential/>

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

#### Name of entity

DigitalX Limited

#### ABN

59 009 575 035

#### Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (6 months) US\$'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	98	996
1.2 Payments for		
(a) research and development	-	-
(b) advertising and marketing	(113)	(161)
(c) leased assets	-	-
(d) staff costs	(341)	(613)
(e) administration and corporate costs	(387)	(656)
(f) professional fees	(145)	(308)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	8
1.5 Interest and other costs of finance paid	-	(12)
1.6 Income taxes paid	15	15
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(1)	(57)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(866)</b>	<b>(788)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(277)	(342)
(b) businesses (see item 10)	-	-
(c) investments	(184)	(184)

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities		
	(a) loan to related party	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(461)</b>	<b>(526)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	76
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(6)	(7)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Share Buy-back)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>(6)</b>	<b>69</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	5,401	5,440
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(866)	(788)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(461)	(526)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(6)	69



Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
4.5	Effect of movement in exchange rates on cash held	(124)	(251)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>3,943</b>	<b>3,943</b>

*Note: The Group holds \$1,729,493 in Bitcoin and other tokens which are considered to be highly liquid and can be converted into cash when required.*

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	2,180	3,595
5.2	Call deposits	1,763	1,806
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,943</b>	<b>5,401</b>

## 6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Salary, Director fees

### Current quarter US\$'000

56

-

## 7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

### Current quarter US\$'000

-

-

8.	Financing facilities available	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
	Add notes as necessary for an understanding of the position		
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9.	Estimated cash outflows for next quarter	\$US'000
9.1	Research and development	-
9.2	Product manufacturing and operating costs	-
9.3	Advertising and marketing	(32)
9.4	Leased assets	-
9.5	Staff costs	(340)
9.6	Administration and corporate costs	(385)
9.7	Other (provide details if material)	
	(a) professional fees	(58)
	(b) Interest on Interest bearing liabilities	-
9.8	<b>Total estimated cash outflows</b>	<b>(815)</b>

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

### Compliance statement

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

Sign here:

  
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(Managing Director)

Date: 31 January 2019

Print name: Leigh Travers

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.