

SEPTEMBER 2019 QUARTERLY REPORT

DigitalX Limited (ASX:DCC, DigitalX or the Company) provides the following report on activities completed in the quarter ended 30 September 2019.

HIGHLIGHTS

- Strategic review completed with focus on blockchain consulting and development, as well as asset management.
- Stronger momentum for the blockchain sector on the back of increasing interest from government and large corporates.
- xbullion gold project on track for launch in December 2019.

QUARTERLY OVERVIEW

A. Summary of Working Capital Position

DigitalX cash, exchange-listed digital asset holdings and DigitalX Investment Fund units as at 30 September 2019 are tabled below:

Symbol	Name	Balance	Spot Price (\$USD)	Value (\$USD)
USD	US Dollars			\$4,280,118
BTC	Bitcoin	431	\$7,737 ²	\$3,334,327
-	Other listed altcoins			\$35,831
-	Unlisted investments			\$477,406
Total				\$8,127,682

¹ Total excludes amounts for tokens pending listing on an exchange and/or for which an active market is not observable.

² Since the end of the quarter, the Bitcoin price has increased to \$9,377 at the date of this report.

³ AUD/USD spot rate at the quarter ended 30 September 2019 was \$0.674.

B. Business Activities

Overview

DigitalX provided an update to the market on 5 September 2019 in relation to its recent activities for the 2020 financial year. The update outlined the steps that the Company has taken in order to

maximise the value of its assets and technical knowledge in the blockchain technology sector which included:

- Winding up of the Futureedge Capital Pty Ltd operation;
- Exiting the joint venture with Coincast Media and investigating the opportunity to grow its media presence internally;
- Restructuring operations into two distinct business divisions, Blockchain Consulting and Development and Asset Management; and
- Non-Executive Director fee reduction.

Blockchain Consulting and Development

A core priority for DigitalX is to commercialise blockchain technologies in its marketplace. While the growth in enterprise adoption of blockchain has been slower than some expected, the Company's expectation in the value it can create for businesses by improving trust and transparency continues to be positive.

Over the last two months, management has been actively running seminars for its target customers in the energy, power & utilities and financial services sectors and is focused on progressing these opportunities with additional sectors in the coming months.

During the quarter the Company was engaged to complete a blockchain solution design project, alongside a large international consulting firm, for a government agency. DigitalX continues to explore opportunities with this firm to provide blockchain consulting to its client base.

The Company delivered consultancy services to Bullion Asset Management (**BAM**) to progress the launch of xbullion, designed to offer direct access to physical, vaulted, audited and insured gold bullion at near spot prices. Gold bullion ownership can now be transferred and redeemed for physical bullion with low friction and low cost, secured with blockchain technology. During the quarter, BAM conducted a roadshow and has received further capital investment subscriptions to support the strategy. xbullion is positioned extremely well in a strong gold market and is poised to launch during December. DigitalX looks forward to updating the market on the launch of xbullion over the coming quarter.

DigitalX Asset Management

The September quarter saw the asset management division continue to review its product offering and distribution capabilities. The team has been projecting an increase in the outperformance of Bitcoin in the digital asset market due to strong macroeconomic tailwinds of currency and trade wars, news on central bank (China) and corporate (Facebook) digital currencies, extremely low interest rates and quantitative easing.

Accordingly, the team has increased its Bitcoin exposure in the portfolio and is actively expediting plans to provide the market with further products that have greater exposure to Bitcoin.

Corporate Overview

- During the quarter the Group issued 24,691,358 shares at AUD\$0.0324 on the exercise of options.
- 2,700,000 exercisable at AUD\$0.0324 options expired unexercised on 8 September 2019.
- During the quarter Mr Sam Lee and Mr Stephen Roberts resigned as Non-Executive Directors of the Company. Mr Toby Hicks was appointed as Non-Executive Chair.

C. Post Quarter

Post the end of the quarter, the Company released its Notice of Annual General Meeting to be held at 10:00am on 21 November 2019 at the Blockchain Centre, Perth.

D. Outlook

The outlook for the sector is positive, led by continued interest from central banks and corporations in digital currency, and more recently, positive commentary¹ from regulators in China. Following news on 25 October 2019 from Chinese President Xi Jinping to accelerate the rate of investment and development of blockchain technology in the country, interest, activity and pricing in the market has strengthened.

Following the strategic review in the September quarter, DigitalX's service offering has refocused on commercialising blockchain technology. The strategy will see a reduction in expenditure that will be evident in the second half of the financial year and provide shareholders with greater exposure to Bitcoin and blockchain technology. The Company has identified that a number of blockchain technology companies in the sector have been developing promising technology and that funding for the sector is currently limited.

These developments are shaping up to provide DigitalX with an opportunity to leverage its team, capital and network to advance these businesses on advantageous terms.

Ends

For further information, please contact:

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¹<https://www.bloomberg.com/news/articles/2019-10-29/china-s-state-media-warns-on-blockchain-frenzy-that-xi-started>

About DigitalX

DigitalX is a blockchain and technology company with offices in Perth, Sydney and New York. The company offers blockchain consulting and development services and asset management services focused on technology, including Blockchain and emerging technologies.

www.digitalx.com

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")

30 September 2019

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (3 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	18	18
1.2 Payments for		
(a) research and development	-	-
(b) advertising and marketing	(35)	(35)
(c) leased assets	-	-
(d) staff costs	(295)	(295)
(e) administration and corporate costs	(329)	(329)
(f) professional fees	(36)	(36)
(g) settlement costs ¹	(104)	(104)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	6
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)	12	12
1.9 Net cash from / (used in) operating activities	(763)	(763)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(5)	(5)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (3 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	(4)	(4)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(9)	(9)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
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	(1)	(1)
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	Net cash from / (used in) financing activities	(1)	(1)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	5,210	5,210
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(763)	(763)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9)	(9)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1)	(1)

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (3 months) US\$'000
4.5	Effect of movement in exchange rates on cash held	(157)	(157)
4.6	Cash and cash equivalents at end of quarter²	4,280	4,280

Note 1: Relates to the second tranche of the settlement payment as disclosed in the [announcement](#) made to the market on 7 May 2019.

Note 2: At the date of this report, the Group holds USD\$3,847,564 in Bitcoin, listed digital assets and other unlisted investments 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	4,280	5,210
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)	4,280	5,210

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

Current quarter US\$'000
42
-

Salary, Director fees

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 <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
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	(42)
9.4 Leased assets	-
9.5 Staff costs	(340)
9.6 Administration and corporate costs	(315)
9.7 Other (provide details if material)	
(a) professional fees	(83)
(b) Interest on Interest bearing liabilities	-
9.8 Total estimated cash outflows	(780)

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:
(Director)

Date: 31 October 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.