

JUNE 2019 QUARTERLY REPORT

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

HIGHLIGHTS

- Successful capital raise of AU\$3.75m underpinning strong cash and digital asset position of over US\$10.5m at quarter end.
- Legal proceedings finalised.
- Acquisition of equity interest and services agreement secured with 'xbullion' the gold backed stablecoin from Bullion Asset Management Pte Ltd.

QUARTERLY OVERVIEW

A. Summary of Working Capital Position

DigitalX had cash, listed digital assets and liquid unlisted investments of over US\$10.5m in value at quarter end.

DigitalX exchange listed digital asset holdings and DigitalX Investment fund units as at 30 June 2019 are tabled below:

Symbol	Name	Balance	Spot Price (\$USD)	Value (\$USD)
USD	US Dollars			\$5,209,507
BTC	Bitcoin	431	\$10,817	\$4,661,772
-	Other listed altcoins			\$79,144
-	Unlisted investments			\$631,606
Total				\$10,582,657

¹ Total excludes amounts for tokens pending listing on an exchange and/or for which an active market is not observable. DigitalX has additional unlisted digital assets with a book value of US\$1.33m.

B. Business Activities

Token Advisory

DigitalX continued its advisory services during the quarter. In April, the Company announced that it was advising Bullion Asset Management Pte Ltd (**Bullion Asset Management**) on the launch of their gold backed stablecoin, xbullion (formerly XGold). xbullion token issuance and redemptions are recorded on the blockchain and the operation will be audited for compliance. In addition to the use of blockchain, the underlying gold bullion is securely vaulted and insured and investors who purchase xbullion tokens will be able to redeem those tokens for physical gold bullion.

The Company considers that the xbullion offering is a good representation of the use case of blockchain in the context of transaction record keeping and is showing the ongoing growth of the blockchain ecosystem by digitising traditional assets.

The website www.xbullion.io is now live and the trading portal is over 90% complete with an international roadshow by xbullion scheduled for August prior to the official launch.

DigitalX did not have any new advisory engagements during the quarter but did see some listings and new issues of its digital token holdings in Bamboo and Bankorus.

After extensive due diligence on the Virtual Financial Asset license through the Malta Financial Services Authority (MFSA) the Board has determined that it is not a strategic fit for the Company.

Blockchain Consulting

As part of the Company's consulting services, the Company has engaged with a number of leading professional services firms and high-quality research and development companies to provide a springboard for growth in the September quarter.

DigitalX also provided smart contract development services for Bullion Asset Management to launch xbullion.

DigitalX Asset Management

The Company's asset management division has been in the process of completing preparations for the launch of new products based on the work of its portfolio management team. The division has neared completion of an overall distribution strategy, focusing on growing its current Digital Asset Fund, as well as the new fundamental research-driven products. The team also worked on distribution partnerships throughout the quarter, including meeting investors at the APAC Family Office Investment Summit in Hong Kong in May 2019 and trips by the distribution team to Shanghai.

Our Digital Asset Fund reached its first anniversary of operation this quarter. Following a difficult investment environment over much of this period, investor sentiment in digital assets improved substantially since February 2019 as financial institutions began to allocate a small portion of their funds into this new asset class. While Bitcoin was the primary recipient of these inflows, many of the largest digital assets also performed well throughout the June quarter, resulting in improved performance for the fund. The division is finalising a digital marketing strategy for this fund, with the goal of growing the total asset base over the remainder of 2019.

Media and Education - "Coincast Media"

Coincast Media provides education, public relations and content creation to the blockchain and cryptoasset market.

During the quarter, Coincast Media was engaged to provide media, marketing and PR services for energy technology company Power Ledger, digital asset exchange Zipmex and gold stablecoin project xbullion.

Coincast Media has been in discussions with a number of high-profile media broadcasters for new seasons of CoincastTV and for the creation of new industry content. As at the date of this report Coincast has not secured a deal which will have a high probability of profit or opportunity to further build out the Coincast brand.

Corporate Overview

Legal Proceedings

As announced to the market on 7 May 2019, the Company has resolved the legal issue announced on 28 September 2019 and has no outstanding legal claims.

Capital Raising

On 15 May 2019 DigitalX announced an oversubscribed Share Purchase Plan (**SPP**) and Top-Up Placement to raise AU\$3,750,000. Funds raised from the SPP and Top-Up Placement will be applied towards the evaluation of potential investment and acceleration opportunities and for general working capital. The Company would like to thank its participating shareholders for their support.

C. Post Quarter

Post the end of the Quarter, the Company announced various changes to its Board composition with the resignations of Mr Stephen Roberts and Mr Sam Lee and re-appointment of Mr Toby Hicks as Non-Executive Chair. Mr Hicks has been a corporate lawyer advising public companies for over 15 years and is presently a Partner of Steinepreis Paganin. He is a former Governor of the University of Notre Dame Australia, a position he held for 16 years. He was a member of the University's Audit and Finance Committee for 14 years and was a member of the Law School Advisory Board. In 2018, the University named the Toby Hicks Service to Student Community Award in honour of his contribution to the University over 23 years.

Mr Hicks has a strong understanding of the regulatory regime around the Company's core Blockchain business and has been advising in this space for a number of years. He has also lectured on corporate governance and compliance in Western Australia. He was formerly a Director of the Company from August 2016 to September 2018.

D. Outlook

With a significantly strengthened balance sheet and the appointment of an experienced legal and corporate governance focused Non-Executive Chairman, Mr Toby Hicks, the Company has a sound and stable foundation from which to execute on a growth strategy.

DigitalX has commenced a strategic review on the Company strategy, which will encompass all four business lines and the process for acquiring new blockchain and technology opportunities. With respect to the regulatory and banking environment and the ASX, DigitalX expects to have less reliance on the digital asset market in the future while still retaining a focus on blockchain technologies. The Company is first and foremost a technology company, focused specifically on blockchain, and considers that it has significant experience and understanding of this technology that provide it with a competitive advantage over others seeking to operate in this space in Australia, in particular in a public company sense, whether in the advisory or funds management.

The Company remains extremely positive about the future for commercialising blockchain technologies and developing a strong growth strategy from which to execute for the benefit of shareholders.

Ends

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About DigitalX

DigitalX is a blockchain and technology company with offices in Perth, Sydney and New York. The company offers advisory services for new token offerings, asset management focused on technology, including blockchain and digital assets, blockchain development and media services.

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 June 2019

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	208	1,274
1.2 Payments for		
(a) research and development	-	-
(b) advertising and marketing	(51)	(233)
(c) leased assets	-	-
(d) staff costs	(301)	(1,218)
(e) administration and corporate costs	(318)	(1,139)
(f) professional fees	(238)	(674)
(g) settlement costs ^A	(176)	(176)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	30
1.5 Interest and other costs of finance paid	-	(12)
1.6 Income taxes paid	-	15
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	(54)
1.9 Net cash from / (used in) operating activities	(864)	(2,187)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(348)
(b) businesses (see item 10)	-	-
(c) investments	(323)	(507)

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (12 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	(19)	(17)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(345)	(872)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	3,151	3,227
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	(169)	(176)
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	2,982	3,051

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	3,435	5,440
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(864)	(2,187)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(345)	(872)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,982	3,051

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	2	(222)
4.6	Cash and cash equivalents at end of quarter^B	5,210	5,210

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

Note B: At the date of this report, the Group holds \$5,372,522 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	5,210	1,647
5.2	Call deposits	-	1,788
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)	5,210	3,435

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
59
-

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	(13)
9.4 Leased assets	-
9.5 Staff costs	(319)
9.6 Administration and corporate costs ^C	(492)
9.7 Other (provide details if material)	
(a) professional fees	(49)
(b) Interest on Interest bearing liabilities	-
9.8 Total estimated cash outflows	(873)

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

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 July 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.