

## MARCH 2020 QUARTERLY REPORT

DigitalX Limited (ASX:DCC, DigitalX and the Company) provides the following report on activities completed in the quarter ended 31 March 2020.

### HIGHLIGHTS

- Multiple new client products out to tender and submitted for government grant programs
- New product working group established
- Asset management progress
- Reduction in forecast operating expenses
- xbullion soft launch imminent

### QUARTERLY OVERVIEW

#### A. Summary of Working Capital Position

DigitalX had cash, listed digital assets and liquid unlisted investments of over US\$5.9m in value at quarter-end, 31 March 2020.

Symbol	Name	Balance	Spot Price (\$USD)	Value (\$USD)
USD	US Dollars			\$2,714,186
BTC	Bitcoin <sup>1</sup>	431	\$6,438 <sup>2</sup>	\$2,774,802
-	Other digital assets			\$21,993
-	Unlisted investments <sup>3</sup>			\$438,661
<b>Total</b>				<b>\$5,949,642</b>

<sup>1</sup>This includes 216 bitcoin held directly and 215 bitcoin in the DigitalX Bitcoin Fund

<sup>2</sup>Since the end of the quarter, the Bitcoin price has increased to \$8,435 at the date of this report.

<sup>3</sup>Total excludes amounts for tokens pending listing and/or for which an active market is not observable.

<sup>4</sup>AUD/USD spot rate at the quarter ended 31 March 2020 was \$0.6118.

The operating cash outflow for the quarter was US\$545,000 with receipts of US\$61,000. This represents a quarter on quarter decrease in outflows of 24.1% which is reflective of the impact of expenditure reductions flagged by the Company in the previous quarterly report. This trend is expected to continue into the coming quarter in line with the Company's announcement to the market on 29 April 2020.

The total liquid assets for the period reduced by US\$1.2m, outside of the cash outflow for the quarter. This was significantly impacted by the quarterly move in AUD (decrease of \$422,000 or 12.9% on the prior quarter) and the Bitcoin price (decrease of \$973,815 or 9.4% on the prior quarter) contributed significantly to fall in assets over the quarter.

## B. Business Activities

### Overview

During the quarter, DigitalX focused on 'business as usual' activities, including building the asset management business, finalising proposals and scopes of work within the blockchain consulting and development business and on increasing resources within the blockchain-based gold bullion business, xbullion. The Company also implemented a leaner structure to reduce expenses over the period.

DigitalX has been actively investigating opportunities to build products and services to complement the major Distributed Ledger Technology (DLT) projects within Australia. The Board has established a working group to actively identify the highest priority opportunities for the creation of digital products leveraging the Company's expertise. The Company continues to focus on identifying opportunities for disruption and working with businesses to both educate and develop practical use cases for blockchain development.

### Blockchain Consulting and Development

#### Blockchain discovery workshops

The Company continued its collaboration with professional services firm EY in facilitating discovery workshops for businesses looking at ways to innovate using digital technologies, including blockchain. Prior to COVID-19 closures, the most recent workshop brought together prominent wine makers, a large West Australian beef producer, potato exporters, and a range of other stakeholders in the agricultural sector to see where the technology is delivering benefits today and how these can be adapted to assist with their business challenges.

#### Traceability project grant funding application

Following the workshop, the Company engaged with a publicly listed medicinal cannabis company to jointly develop a proposed traceability solution and funding application as part of the Australian Government Department of Industry's AUD\$7m Traceability Grants Program. The application proposes a solution that will enhance and promote the export of Australian-made medicinal cannabis by recording provenance and traceability data to a distributed public ledger, thereby providing improved visibility to consumers and increasing local industry competitiveness by reducing compliance costs through enhanced automation. A decision on grant funding is currently pending as applications are assessed.

#### Consensus driven audit platform

The Company progressed activities in the oil and gas industry, working with a potential client to specify detailed requirements for a platform to manage the accounting of costs between multiple parties in joint venture owned assets. The project is currently seeking co-funding from National Energy

Resources Australia (NERA), to help de-risk development and create a possible path to commercialisation across the hundreds of joint venture owned assets in the resources industry.

### **Distributed Ledger Technology (DLT) opportunities**

In addition to consulting activities, the Company established a working group with the objective to identify, validate and build financial technology products with a high potential for realising value for customers from the ASX's future DLT platform.

To date, the working group has commenced an innovation program to uncover market opportunities for new solutions based on customer feedback, through interviews and early stage prototypes. Example solutions being tested include digital platforms for listed companies to better manage corporate actions, IPO allocations with direct settlement for investors, automation of reporting and compliance obligations around changes to Directors' and significant shareholder notifications. This work has also enabled the DigitalX development team to expand consulting capabilities in this area, having gained developer certification in DAML, the programming language used by the ASX distributed ledger.

### **xbullion**

During the quarter, DigitalX continued providing services to Bullion Asset Management's (BAM) xbullion business. xbullion offers digitally transferable ownership of physical gold bullion that is vaulted, audited and insured. While the delay in the launch of xbullion has been frustrating, it is not limited by the underlying technology of the token. xbullion has employed a new CEO and the xbullion user portal has been created and independently tested with a positive result. Based on the above, BAM anticipates an imminent soft launch of bullion and DigitalX looks forward to updating the market shortly on the development. DigitalX holds a 15% interest in xbullion.

### **DigitalX Asset Management**

DigitalX is the investment manager of digital asset investment products that offer qualified investors secure and easy to access digital asset exposure at a low cost. The Company operates the DigitalX Bitcoin Fund and the Digital Asset Fund.

DigitalX has built strong relationships with independent institutions that service the digital asset sector and through economies of scale, can offer digital asset exposure with access to insurance at low-cost. The titled and audited ownership, and traditional fund structure enables investors with no technical or administrative experience with the sector to make an investment decision and acquire digital asset exposure.

During the quarter, DigitalX signed an Australian distribution agreement with Hamel Strategic Partners to provide sales strategy, distribution, and marketing services for the two funds. The initial scope of activities has focused on the investor marketing materials ahead of targeted investor campaigns.

Marketing activities for the asset management division over the period utilised both offline and online channels. These activities involve both increasing awareness and education of the asset class and awareness of the DigitalX digital asset investment products.

The Company showcased at the Sydney Wholesale Investor Emergence conference during the quarter and will continue to present at conferences when that channel re-opens after COVID-19 restrictions.



Leigh Travers, Executive Director, presenting at Emergence Conference, Sydney.

Digital marketing activities continue to attract new interest, with Google based marketing performing better than social media marketing. DigitalX continues to produce research on the digital asset sector and has recently joined fund manager and investment market professional platform, Livewire as a research contributor.

The Covid-19 pandemic has created an environment for investors to consider their portfolios and to review the composition for the coming stimulus and financial uncertainty. The initial panic sell-off that hit global markets through March saw most liquid assets, including digital assets experience selling as investors rushed for liquidity. The Bitcoin market has recovered strongly and is sitting on year-to-date gain. The significant volatility during the period contributed to a number of active digital asset hedge funds winding down, further strengthening the support for DigitalX's passive, low-cost strategy. Given the low-correlation of digital assets with traditional assets and the relative outperformance there is a growing acceptance of the asset class amongst institutional Australian investors.

While the total funds under management are still at modest levels, the Company anticipates seeing an uptick of this trend due to marketing and distribution activities as well as the positive tailwind from a massive surge in global central bank quantitative easing and the upcoming Bitcoin halving in May.

## C. Outlook

DigitalX implemented a prudent response to the COVID-19 event as announced 29 April 2019 which will have a positive effect on the Company's cash flow.

The environment for digital products has been impacted in a positive and potentially permanent way and the digital product internal working group has identified a number of promising products which

are being actively investigated by the Company. The Company is pleased to see the interest in new DLT solutions and has secured DAML developer associate certification.

The Asset Management division has enhanced marketing and distribution capabilities and is confident of growing the size of its assets with the backdrop of macroeconomic events and the activities implemented to date.

## D. Corporate Activities

Effective 1 January 2020, DigitalX early-adopted the fourth edition of the ASX Corporate Governance Principles. As part of this adoption, the Company adopted the following vision, mission and values:

### VISION

To create the financial and technical solutions for achieving global consensus.

### MISSION

We achieve consensus by:

- Focusing on the markets we know
- Building a deep understanding of our customer
- Challenging the status quo by asking why
- Driving efficiency by building trust
- Decentralising global business
- Connecting the best people

### VALUES

Our culture is built on blocks:

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#### Support the network

We work together to execute on our vision.

#### Build trust with transparency

We acknowledge the elephants in the room.

#### Never stop developing

We constantly seek out new knowledge to improve.

#### Seek consensus

We hash it out and proceed with a shared understanding.

#### Execute your part

We own our domain and deliver to a high level.

#### Solving hard problems is worth the effort

We thrive when faced with a tough challenge.

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The Company also adopted a new Whistleblower policy and in February 2020, undertook a training session for all staff on the requirements and obligations under the Whistleblowing policy.

In accordance with ASX Listing Rule 4.7C.3, USD\$54,681 was paid to related parties or their associates during the quarter, comprising Executive Director salary, Non-executive Director fees and superannuation, and legal fees paid to Steinepreis Paganin (of which Mr Hicks is a Partner).

## E. Remainder of the year calendar

The Company now expects its remaining end of year statutory reporting and meeting timetable to be as follows:

Event	Expected date (subject to variation where necessary)
Fourth Quarter Activities Report	31 July 2020
Release of Preliminary Final Report	Week commencing 24 August 2020
Dispatch of Annual Report	Week commencing 28 September 2020
Release of Appendix 4G	Week commencing 28 September 2020
First Quarter Activities Report	30 October 2020
Annual General Meeting <sup>1</sup>	26 November 2020

<sup>1</sup>The closing date for receipt of Director nominations is 14 October 2020. Any nominations must be received by no later than 5:00pm (WST) on 14 October 2020 at the Company's registered office.

- ENDS-

*Authorised by the Board of DigitalX Limited.*

### For further information, please contact:

#### DigitalX Limited

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Executive Director

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### About DigitalX

DigitalX is a technology and investment company specialising in the commercialisation of blockchain and distributed ledger technology. The Company offers blockchain consulting and development services for businesses seeking to leverage the benefits of digital technology. DigitalX offers low-cost, traditional asset management products for qualified investors to gain exposure to the growing alternative asset class of digital assets, including Bitcoin. Digital assets such as Bitcoin have been one of the strongest performing assets and are uniquely positioned for growth in the years to come.

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

<https://digitalx.fund/>

## APPENDIX 4C

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

**Name of entity**

DigitalX Ltd

**ABN**

59 009 575 035

**Quarter ended ("current quarter")**

31 March 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	61	117
1.2 Payments for		
(a) research and development	-	-
(b) advertising and marketing	(16)	(61)
(c) leased assets	-	-
(d) staff costs	(271)	(864)
(e) administration and corporate costs	(284)	(995)
(f) professional fees	(41)	(147)
(g) settlement costs	-	(104)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	16
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
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(545)</b>	<b>(2,026)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(8)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'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	-	-
2.3	Cash flows from loans to other entities	-	(4)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(3)</b>	<b>(12)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	(4)	(5)
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(4)</b>	<b>(5)</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 period	3,688	5,210
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(545)	(2,026)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(12)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(4)	(5)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(422)	(453)
<b>4.6</b>	<b>Cash and cash equivalents at end of period<sup>1</sup></b>	<b>2,714</b>	<b>2,714</b>

*Note 1: At the date of this report, the Group holds Bitcoin, listed digital assets and other unlisted investments 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 \$US'000	Previous quarter \$US'000
5.1	Bank balances	2,714	3,688
5.2	Call deposits	-	-
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>2,714</b>	<b>3,688</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 <sup>2</sup>	54
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note 2: Amounts paid to related parties includes salary and wages, directors fees, reimbursements, and legal 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 \$US'000	Amount drawn at quarter end \$US'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-

7.5	Unused financing facilities available at quarter end	-
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7.6	Description of facilities	
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8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(545)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,714
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	-
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	4.98

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

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

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

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

## 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: 30 April 2020  
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Authorised by: Board of DigitalX Limited  
.....  
(Name of body or officer authorising release)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.