

**DIGITALX LIMITED | ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2019**



## CONTENTS

LETTER FROM THE CHAIR	1
DIRECTORS' REPORT	2
OPERATING & FINANCIAL REVIEW	7
REMUNERATION REPORT	9
DIRECTORS' DECLARATION	25
AUDITOR'S INDEPENDENCE DECLARATION	26
AUDITOR'S REPORT	27
CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME	30
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	32
CONSOLIDATED STATEMENT OF CASHFLOWS	33
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	35
NOTES TO THE FINANCIAL STATEMENTS	37
BASIS FOR PREPARATION	38
KEY OPERATING & FINANCIAL RESULTS	40
CAPITAL & RISK MANAGEMENT	53
FINANCIAL POSITION	53
EQUITY	68
GROUP STRUCTURE	76
OTHER DISCLOSURES	80
CORPORATE DIRECTORY	88
ASX INFORMATION	89

## LETTER FROM THE CHAIR

Dear Shareholders,

Following a very successful financial year ended 30 June 2018, the result for the 2019 Financial Year for DigitalX has reflected all the challenges and circumstances that have impacted the digital assets markets generally, both in Australia and globally. This saw a reversal of the Company's performance from a profit generating position as at 30 June 2018 to the US\$2.5m loss that was the final result as at 30 June 2019.

Notwithstanding that fact, the Company did see a number of positive developments that have placed the Company in a strong position to build and grow on its internal knowledge and experience in the Blockchain and digital assets space. Those developments included:

- The Company maintained its Bitcoin holdings, with prices of Bitcoin rising by approximately 30% since March 2019. The value of these Company assets provides the Company with various options and opportunity as the Directors work on the ongoing strategic direction of the Company post the end of the financial year.
- The Company successfully raised AU\$3.75m (excluding costs) during the financial year meaning that the Company is well-capitalised to execute its business plans and strategy.

In addition to these matters that occurred during the financial year, post the end of the financial year, the Company has made key strategic decisions that the Directors consider build upon the work that was done during the last Financial Year and present the Company with key opportunities for the future, including the restructuring of the Board and the decision to focus on two distinct business units: Blockchain Consulting and Development and Asset Management.

Your Board will continue to sharpen our focus on these two business areas in 2019/2020 with the absolute intention to create value for Shareholders, and we look forward to being able to present exciting developments for the Company to Shareholders as soon as is appropriate.

Once again, on behalf of my fellow Directors, thank you for your continued interest and support in DigitalX.

Yours sincerely,

**Toby Hicks**  
*Non-Executive Chair*

## DIRECTORS' REPORT

Your Directors present their report together with the financial report on the consolidated entity (referred to hereafter as the **Group** or **Consolidated entity**) consisting of DigitalX Limited (**DigitalX** or the **Company**) and the entities it controlled at the end of, or during, the year ended 30 June 2019. Information contained within this report and the financial report is presented in United States dollars (\$USD).

### Directors

The following persons were Directors of DigitalX Limited during the financial year and up to the date of this report:

<p><b>Mr Toby Hicks</b> Non-Executive Chairman</p> <hr/> <p><b>Term of Appointment</b> Appointed 10 July 2019</p> <p><b>Status</b> Non-Independent Non-Executive</p> <p><b>Current Directorships</b> None</p> <p><b>Previous Directorships of Listed Entities within past 3 years</b> None</p>	<p><b>Experience</b> Mr Hicks is a Partner of Steinepreis Paganin Lawyers &amp; Consultants with over 15 years' experience advising companies, both public and private, on matters relating to corporate governance, capital raisings, and mergers and acquisitions, as well as general commercial and strategic legal advice. He acts for a number of ASX listed companies.</p> <p>Mr Hicks holds a Bachelor of Business (Management) and a Bachelor of Laws as well as a Graduate Diploma in Company Secretarial Practice from the Governance Institute and is a Chartered Secretary.</p> <p>Mr Hicks spent 16 years as a Governor at the University of Notre Dame Australia and served for 14 years on the University's Finance, Audit and Risk Committee and 4 years on the Law School Advisory Board (Fremantle).</p> <p>Mr Hicks had previously served on the Board from 15 September 2017 to 7 September 2018.</p> <p><b>Interests in shares and options held as at the date of the report</b></p> <ul style="list-style-type: none"> <li>○ 7,500,000 performance rights; and</li> <li>○ 2,500,000 unlisted options exercisable at \$0.10 each expiring on 30 June 2024.</li> </ul>
<p><b>Mr Peter Rubinstein</b> Non-Executive Director</p> <hr/> <p><b>Term of Appointment</b> Appointed 15 September 2017</p> <p><b>Status</b> Non-Independent Non-Executive</p> <p><b>Current Directorships</b> Genetic Technologies Limited <i>Since 31 January 2018</i></p> <p><b>Previous Directorships of Listed Entities within past 3 years</b> None.</p>	<p><b>Experience</b> Mr Peter Rubinstein has over 20 years' experience in early stage technology commercialisation through to public listings on the ASX. He is a lawyer by training, having worked at one of the large national firms prior to moving in house at Montech, the commercial arm of Monash University.</p> <p>Mr Rubinstein has had significant exposure to the creation, launch and management of a diverse range of technology companies including in biotech, digital payments and renewable energy.</p> <p>Mr Rubinstein is also Chairman of EasyPark ANZ an early adopter in the "Smart City" opportunities for digital parking.</p> <p><b>Interests in shares and options held as at the date of the report</b></p> <ul style="list-style-type: none"> <li>○ 25,466,296 fully paid ordinary shares;</li> <li>○ 3,400,000 unlisted options exercisable at \$0.0324 each expiring on 18 September 2020;</li> <li>○ 1,000,000 unlisted options exercisable at \$0.22 each expiring on 10 December 2023;</li> <li>○ 1,500,000 unlisted options exercisable at \$0.25 each expiring on 10 December 2023;</li> <li>○ 2,000,000 unlisted options exercisable at \$0.30 each expiring on 10 December 2023; and</li> <li>○ 617,284 unlisted options exercisable at \$0.324 each expiring on 1 September 2020.</li> </ul>

**Mr Leigh Travers**

Executive Director

**Term of Appointment**

Appointed 24 July 2016

**Status**Non-independent  
Executive**Current Directorships**

None

**Previous Directorships of Listed Entities within past 3 years**

None

**Experience**

Mr Leigh Travers has enjoyed a decade of building relationships in financial and technology markets through his experience with fintech and investment advisory companies. He is a current Director of Blockchain Australia, the industry body for blockchain businesses in Australia.

Mr Travers previously worked for seven years at Australian wealth management firm Euroz Securities as an Investment Advisor. His clients included high net worth, institutions and listed companies as he provided trading advice and assisted with company buybacks and sell downs and capital raising services.

Mr Travers holds a Bachelor of Commerce and Communications from the University of Western Australia and has completed a Fintech Certification from the Massachusetts Institute of Technology and Certificate in Blockchain Strategy from RMIT.

**Interests in shares and options held as at the date of the report**

- 5,000,000 fully paid ordinary shares; and
- 9,000,000 performance rights.

**Mr Xue Samuel ("Sam") Lee**

Non-Executive Director

**Term of Appointment**

Appointed 15 September 2017 (Resigned 8 July 2019)

**Status**Independent  
Non-Executive**Current Directorships**

None

**Previous Directorships of Listed Entities within past 3 years**Genetic Technologies Limited  
Resigned July 2019**Experience**

Mr Sam Lee is the founder and CEO of Blockchain Global Ltd. Blockchain Global is a profitable Blockchain technology company with offices in Melbourne, New York, Kobe, Shanghai and Dalian. Since incorporation, Blockchain Global has, through its corporate accelerator program, made over 50 investments in companies leveraging Blockchain technology.

Mr Lee is a frequent interviewee on CNBC, BBC and Sky News and a panellist at the World Economic Forum, as well as at numerous Blockchain summits.

**Interests in shares and options held as at the date of the report**

- 10,096,296 fully paid ordinary shares;
- 1,203,704 unlisted options exercisable at \$0.0324 each expiring on 8 September 2020;
- 2,800,000 unlisted options exercisable at \$0.0324 each expiring on 18 September 2020;
- 1,000,000 unlisted options exercisable at \$0.22 each expiring on 10 December 2023;
- 1,500,000 unlisted options exercisable at \$0.25 each expiring on 10 December 2023; and
- 2,000,000 unlisted options exercisable at \$0.30 each expiring on 10 December 2023.

**Mr Stephen Roberts**

Non-Executive Director

**Term of Appointment**

Appointed 3 April 2019

Resigned 4 July 2019

**Status**

Independent

Non-Executive

**Current Directorships**

Pyrolyx AG

**Previous Directorships of Listed Entities within past 3 years**

Cryosite Ltd

**Experience**

Mr Stephen Roberts is an experienced Chair and non-executive director of a number of listed and private commercial enterprises across financial services, bio-pharm logistics, agriculture and waste recycling. Mr Roberts' most recent executive position was as Regional Chief Executive Officer and Senior Partner of Mercer Investments, Asia Pacific and prior to that Managing Director of Russell Investments, Australasia.

**Interests in shares and options held as at the date of the report**

○ Nil

**Company Secretary**

Ms Shannon Coates has over 20 years' experience in corporate law and compliance. She is currently named company secretary to a number of public unlisted and listed companies; having provided company secretarial and corporate advisory services to boards across a variety of industries, including financial services, manufacturing and technology both in Australia and internationally. Ms Coates is a qualified lawyer, Chartered Secretary and graduate of the AICD's Company Directors course.

Ms Shannon Coates was appointed Company Secretary of DigitalX on 8 December 2016.

**Principal activities**

During the financial year the Group continued to develop and deliver on its strategy of focussing on advisory related services to the blockchain market. The principal activities of the Group consisted of:

- Advisory;
- Blockchain consulting;
- Funds under management; and
- Media (via its joint venture).

Refer to the [Operating and Financial Review](#) for further information about each of the activities.

**Environmental regulation**

The Group is not subject to significant environmental regulation in respect of its operations.

**Significant changes in the state of affairs**

Significant changes in the state of affairs of the Group during the financial year were as follows:

- During the course of the financial year the Group's contributed equity increased by \$USD3,230,731 (from \$USD30,431,588 to \$USD33,662,319) as a result of shares issued for strategic placements, conversion of options and conversion of convertible notes during the year. The changes for the year are disclosed in Note F1.

- As a result of the changes in equity noted above, and a year on year increase in digital asset prices, the Group's cash and digital asset position increased by \$USD2,000,493 (from \$USD10,272,569 to \$USD12,276,062) positioning the Group with a strong financial position heading into the 2020 financial year.
- In addition to the above, the Group also announced the following significant changes and updates to the market during the financial year which contributed to the overall performance and position of the Group at the end of the financial year:

Date	Announcement	Impact <sup>1</sup>	Link <sup>2</sup>
27/07/2018	JV update - Coincast Media to launch TV show	<a href="#">Investments</a>	<a href="#">Announcement</a>
29/08/2018	Investment in YPB convertible note	<a href="#">Investments</a>	<a href="#">Announcement</a>
7/09/2018	Retirement of Non-Executive Director	<a href="#">Directors' Report</a>	<a href="#">Announcement</a>
18/09/2018	Digital asset platform development and funding commitment	<a href="#">Investments</a>	<a href="#">Announcement</a>
28/09/2018	Service of Proceedings	<a href="#">Legal Expenses</a>	<a href="#">Announcement</a>
20/11/2018	Launch of Blockchain Centre	<a href="#">PPE</a>	<a href="#">Announcement</a>
23/11/2018	DigitalX enters JV with US Investment Bank AmerX	<a href="#">Investments</a>	<a href="#">Announcement</a>
3/04/2019	Appointment of Non-Executive Director	<a href="#">Directors' Report</a>	<a href="#">Announcement</a>
16/04/2019	Gold stablecoin investment and advisory engagement	<a href="#">Investments</a> <a href="#">Revenue</a>	<a href="#">Announcement</a>
7/05/2019	Finalisation of legal proceedings	<a href="#">Legal Expenses</a> <a href="#">Equity</a>	<a href="#">Announcement</a>
15/05/2019	A\$3.75 Million Raised in SPP and Top Up Placement	<a href="#">Equity</a>	<a href="#">Announcement</a>

<sup>1</sup> Refer to the relevant section of the Report for the impact of the change.

<sup>2</sup> Refer to ASX announcement for full details.

## Dividends

No dividends have been paid or declared up to the date of this report. The Directors have not recommended the payment of a dividend in the current financial year.

Any future determination as to the payment of dividends by the Company (and the potential creation of a dividend policy for that purpose) will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business as well as other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

## Subsequent events

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years other than those set out below.

Date of event	Details of event
1 July 2019	On 1 July 2019, 24,691,358 shares were issued at a price of \$AUD0.0324 on conversion of 24,691,358 options.
4 July 2019	On 4 July 2019, Mr Stephen Roberts resigned as a Director of the Company.
8 July 2019	On 8 July 2019, Mr Sam Lee resigned as a Director of the Company.
11 July 2019	On 11 July 2019, Mr Toby Hicks was appointed as a Director and Non-Executive Chairman of the Company.

As part of his appointment to the Board, Mr Hicks (or his nominee) was issued with 7.5 million performance rights, automatically capable of conversion on the Company's shares trading on ASX achieving a volume weighted average trading price of not less than \$0.09 for not less than 15 consecutive trading days within three years from the date of issue, and 2.5 million options exercisable at \$0.10 on or before 30 June 2024 (Incentive Securities). Mr Hicks' Incentive Securities were issued on 11 July 2019 under the Company's available annual placement capacity under ASX Listing Rule 7.1.

5 September 2019

On 5 September 2019, the Company announced noted it would seek to wind up the Futureedge Capital Joint Venture (Formerly FutureICO Pty Ltd) and had terminated its Coincast Media joint venture.

[Refer to the full announcement.](#)

28 September 2019

On 28 September 2019, the Group became aware that a small Chinese based exchange, Coin Tiger, had listed Bankorus (BKTS) tokens for trading. There was no announcement or marketing from the Company indicating that a listing was pending. On review, the Group notes that the trading volumes since listing have been low but considers that it may be indicative of an active market. At the time of the report the price per token was \$0.008 on 24-hour trading volume of \$USDT690.

At 30 June 2019, the Group holds Bankorus Tokens at 30 June 2019 totalling \$770,000 (\$0.93 per token), this balance may be impaired if the exchange listing is determined to legitimate and an active market exists.

30 September 2019

Due to the volatile nature and the materiality of the digital assets held, we disclose the value of digital assets held by the Group, excluding the DigitalX Fund and unlisted digital assets, as at the close date of the 29 September 2019.

Coin Symbol	Coin Amount	\$USD Spot Price at 30 June	\$USD Spot Price at 29 Sept	\$USD Balance
BTC	431	\$10,817.16	\$8,104.19	\$3,492,905
Altcoins	-	-		\$31,842
<b>Total</b>	-	-	-	<b>\$3,524,747</b>

## OPERATING & FINANCIAL REVIEW

### Operating results

The result for the year ended 30 June 2019 was a consolidated loss attributable to members of the Group of \$USD2,524,151 (2018: profit of \$USD2,595,834).

DigitalX provided services to the digital asset market during a profitable 2018 financial year, however, the results for the 2019 financial year were impacted by a slow-down in the market and a significant draw down in the value of digital asset prices which has contributed to a significant reduction in the Group's revenue from the previous financial year. The four main service offerings the Group operated during the period were corporate advisory, blockchain consulting, funds management, and media (via the Coincast Joint Venture). Since the end of the 2019 financial year, DigitalX has been working hard to leverage its core competencies, specifically, the commercialisation of blockchain technologies and is focusing on the two business lines of blockchain consulting and development and funds management.

Despite the final financial result, the Group ended the year well capitalised and resourced to deliver an improved year for shareholders.

### Corporate advisory

DigitalX provided corporate advisory services to organisations seeking to launch digital assets during 2018/2019 through a combination of technical due diligence, marketing and promotion, and introductions to DigitalX's network.

While DigitalX has significant industry experience in this sector, the poor performance of the market (only 7% of ICOs outperformed Bitcoin<sup>1</sup>) saw DigitalX reshape its offering to focus on security token offerings (being digital assets representing financial securities). DigitalX formed the DX Americas LLC joint venture to service this security token market with US Investment Bank, Americas Executions LLC. DigitalX considers the demand for security tokens to still be at a preliminary stage due to the current lack of secondary trading markets for these financial products and therefore early revenues have been minimal.

### Blockchain consulting and development

DigitalX has provided services to a small number of groups during the year, with highlights including publicly listed clients and a tier one global energy firm. DigitalX is currently tailoring a consulting offering to deliver introductory blockchain technology workshops and proof of concept development, assisting clients to rapidly validate use cases for adopting blockchain technologies into their businesses.

DigitalX has been actively working to build a market for blockchain technology consulting and development, which is strong internationally. DigitalX management have been heavily involved in growing interest in the blockchain industry through a range of speaking events, educational engagements and contributions to: Blockchain Australia, CPA Annual Congress Western Australia, Office of the Auditor General WA, CPA Western Australia Member's Breakfast, Australian Human Rights Commission - Impact of new technology, ADCA ICO Treasury submission, Blockchain Centre Perth, West Tech Fest, World Bank Aid and International Development Tour. DigitalX will continue to lead efforts to create a market for blockchain technology in Australia which the firm is well capitalised to commercialise.

DigitalX secured its first client in the stable coin market through the engagement with Bullion Asset Management to launch 'xbullion', a gold backed digital asset. xbullion issuance and redemptions are recorded on the blockchain and are audited for compliance. In addition to the use of blockchain, the underlying gold bullion is securely vaulted and insured and investors who purchase xbullion will be able to redeem these digital assets for physical gold bullion if they choose.

The Company is at the forefront of these new digital assets in Australia that seek to encapsulate the benefits of both historical regulated securities and the new technologies provided by digital assets.

### Funds under management

The Group's funds under management division, DigitalX Asset Management, focuses on offering professionally managed investment products that invest in digital assets and blockchain technology companies. Over the past year, the division operated its Digital Asset Fund, which invests in leading digital assets, with a smaller allocation towards special trading opportunities.

<sup>1</sup> <https://www.theblockcrypto.com/2019/08/07/a-post-mortem-on-the-ico-bubble-at-least-89-of-icos-are-in-the-red/>

Since its launch on 1 May 2018, the Digital Asset Fund has underperformed its benchmark market cap weighted index by 8% to June 30, 2019, principally as a result of its significant underweighting in bitcoin relative to its benchmark index. Additionally, the fund has 20% of its assets invested in two unlisted investments.

This division also worked on its product development and research efforts. The portfolio management team has focused on developing extensive research on hardware and software inputs to the blockchain ecosystem and on applications to other emerging technologies such as the internet-of-things (IOT) and AI. The division also developed and distributed research notes on blockchain and digital asset ecosystems.

Division personnel also worked on developing its distribution strategy throughout the year, and continued to build contacts with prospective distribution partners and investors in Europe and in Panama. The division plans to expand marketing of its Digital Asset Fund and continue product development efforts over the coming year.

### **Coincast Media**

Coincast Media was a joint venture that provided education, public relations and content creation to the blockchain marketplace. The division started the year strongly with the launch of the 12-week weekly blockchain TV series 'Coincast TV' on Sky News. Coincast was involved with planning a second series of Coincast TV with other media channels but was unsuccessful in securing a contract that would be profitable for the business. Coincast Media engaged with DIVAN.TV, an international TV streaming service which is available in more than 200 countries around the world, but the engagement did not yield commercial success.

Coincast Media was engaged to provide media, marketing and PR services for a variety of exciting technology companies. The primary strategy focused on serving clients that were going through a news heavy period, such as a capital raising process or conference and roadshow activities. As the market declined over the period, the opportunity to generate high value engagements in the industry was limited to a select few clients. On 5 September 2019, the Company announced it would wind down the Coincast Media joint venture as the business model had not developed in the manner that both parties had anticipated.

### **Future Developments**

DigitalX has experienced a transitional year in a challenging market as it shapes its offering towards blockchain consulting and development and asset management. We consider blockchain technology to be in its formative years. While major structural and technological revolutions often have a 50-year cycle<sup>2</sup>, it is important to remember it is only 10 years since the launch of the Bitcoin whitepaper. DigitalX's mission to commercialise applications of blockchain technology is unchanged, and we are well capitalised to achieve this goal. The Company expects to be in a strong position to present its refined blockchain commercialisation strategy and the exciting developments in xbullion to the market in coming months.

<sup>2</sup> <https://appliedabstractions.com/2008/09/18/carlotaperez-on-how-to-understand-global-technology-trends/>

## REMUNERATION REPORT (AUDITED)

### Message from the Board of Directors

The Directors present this Remuneration Report, which forms part of the Directors' Report for the financial year ended 30 June 2019.

The Directors note that Director and Executive remuneration continues to be an area that receives stakeholder focus and scrutiny, as such the Remuneration Report has been structured in an attempt to provide transparency and clarity to readers around the framework, policies and remuneration of DigitalX Limited's Directors and its Executives.

The Remuneration Report has been set out under the following main headings:

- A. Key Management Personnel
- B. Remuneration policy, including the relationship between remuneration policy and Company performance
- C. Key terms of employment contracts
- D. Remuneration of Directors and Executives
- E. Share options and performance rights granted to Directors
- F. Shareholdings of Directors
- G. Related party transactions
- H. Future remuneration developments
- I. Definitions

The information provided in this Remuneration Report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

### A. KEY MANAGEMENT PERSONNEL

The Key Management Personnel ("KMP") of the Group consist of the Board and Executives. This is the case due to the size and scale of the Group's current operations. All the named persons held their current position for the whole or part of the financial year and since the end of the financial year unless otherwise stated.

KMP	Position	Status	Term as KMP
Peter Rubenstein	Chairman and Non-Executive Director	Non-Executive KMP	Full Year
Sam Lee	Non-Executive Director	Non-Executive KMP	Full Year
Toby Hicks	Non-Executive Director	Non-Executive KMP	To 7 Sept 2018
Stephen Roberts	Non-Executive Director	Non-Executive KMP	From 3 Apr 2019
Leigh Travers	Executive Director	Executive KMP	Full Year
Neel Krishnan	President	Executive KMP	Full Year

### B. REMUNERATION POLICY

For the year ended 30 June 2019 the Board as a whole determined and reviewed compensation arrangements for the Executive Directors and where applicable the Executive Team. The Board assessed the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high-quality team. The objective of the Company's remuneration framework was to ensure reward for performance was competitive and appropriate to the results delivered.

*The Board aims to ensure that executive rewards satisfied the following key criteria for good reward governance practices:*

- *Competitiveness and reasonableness;*
- *Acceptability to shareholders;*
- *Performance linked;*
- *Transparency; and*
- *Capital management.*

**DIGITALX LTD (DCC) EXECUTIVE REMUNERATION STRATEGY**

An appropriate balance of fixed and at-risk components.	Attract, motivate and retain executive talent required at stage of development.	The creation of reward differentiation to drive performance culture/behaviours.	Shareholder value creation through equity incentives that meet contemporary design .
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**Total Targeted Remuneration (TTR)**



TTR is set by reference to the relevant targets and market benchmarks



Fixed	At Risk	
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Total Fixed Remuneration (TFR)	Short Term Incentive (STI)	Long Term Incentive (LTI)
Fixed remuneration is set on relativities reflecting responsibilities, performance, qualifications & experience.	A new STI policy is under consideration but aims to align rewards with performance culture.	Allocations in the past have been one off and ad-hoc. A new LTI policy is under consideration designed to align with shareholder value creation and contemporary standards.

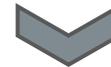
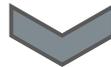
**Remuneration will be delivered as**

Base salary plus any allowances (including superannuation, pension, or relevant statutory entitlements).	STI will be paid and/or vest on achievement of the performance hurdle and completion of the relevant performance period.	Annual LTI allocations be considered under the LTI policy.
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**Strategic Intent & Marketing Positioning**

TFR in the early stages will be position between 25 <sup>th</sup> percentile and the median compared to relevant market data considering expertise and performance in the role and will be reassessed as the Group develops.	Performance incentive is directed to achieve key strategic and financial targets. TFR + STI opportunity is intended to be positioned in the 3 <sup>rd</sup> quartile (Median to 75 <sup>th</sup> ) of relevant benchmark reference group.	LTI is intended to provide a reward for 'out performance' and align executives with shareholder interests. LTI opportunity to be positioned at the top of the 3 <sup>rd</sup> quartile.
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**Total Targeted Remuneration (TTR)**

TTR is intended to be positioned in the 3<sup>rd</sup> quartile (Median to 75<sup>th</sup>) compared to relevant market-based comparisons. 4<sup>th</sup> quartile TTR should only be achieved/targeted if demonstratable outperformance against key strategic and financial targets is achieved by DigitalX and the relevant executive.

## IMPLEMENTATION OF REMUNERATION STRATEGY REVIEW

In the prior year Annual Report, the Directors noted they had commenced an independent remuneration review with remuneration consultant, Crichton + Associates, to review the Group's remuneration framework as presented above. While this is the Group's target model the Directors note that the remuneration recommendation for fixed remuneration was significantly higher (shown in the graph to the right) than the proposed 2019 remuneration framework and the Directors did not consider it appropriate to adopt the remuneration recommendations given the overall market and performance of the Company.

## ELEMENTS OF REMUNERATION

### Base pay

Directors and Executives are offered a competitive base salary. Base pay for executives is reviewed annually by the Board to ensure that individual executive's pay is competitive with the market and is also reviewed upon promotion or additional responsibilities.

There is no guarantee of base pay increases fixed in any executive or director contracts.

### Commission

There is no entitlement to commissions-based remuneration.

### Short term incentives (STI)

#### Executive Director

To align the remuneration of the Executive Director and the performance of the Company, the Executive Director is issued STI in the form of performance rights that vest on the achievement of certain performance hurdles. The STI for the year ended 30 June 2019 were approved by shareholders at the Annual General Meeting held on 27 November 2018.

#### Staff

For the purpose of incentivising and tying the rewarding of the Company's staff to the performance of the Company, the Board has determined that it may, at its discretion, issue shares or other similar instruments from time to time as a reward.

### Long term incentives (LTI)

There were no LTI issued for the year ended 30 June 2019.

## Performance Metrics

At the 2018 AGM the Board set the following performance metrics for 30 June 2019 year for the Executive Director as part of the issue of 9,000,000 performance rights (STI).

The table below sets out the performance against those metrics and where applicable, commentary made on the progress towards the performance targets.

Key	
	Target achieved
	Work in progress
	Target not met

Metric	Met?	Progress made
Company achieving NPAT of \$5,000,000		As noted in the commentary on results for the period in the Operating and Financial Review, the results for the year were impacted by a slow-down in the market and a significant draw down in the value of digital asset prices which has contributed to a significant reduction in the Group's revenue from the previous financial year. The Group continues to work on and target its expenditure by looking for and taking advantage of efficiencies through technology, cost reductions from synergies across operations and good commercial management along with continually improving internal systems for reporting, tracking and monitoring.

	<p>Since the end of the 2019 financial year, DigitalX has been working hard to leverage its core competencies, specifically, the commercialisation of blockchain technologies and is focusing on blockchain consulting and development and funds management.</p> <p>Despite the final financial result, the Group ended the year well capitalised and resourced to deliver an improved year for shareholders.</p>
<p>Company's Shares closing at a price equal to or greater than \$0.25 on five consecutive trading days over the term of the Performance Rights</p>	<p>As noted above, the Group faced a slow-down in the market and a significant draw down in the value of digital asset prices which, along with other factors, has impacted the Company's share price finishing 26% lower for the 12 months ended 30 June 2019.</p> <p>However, as noted to the market in its announcement on the 5 September 2019 the Board acknowledges that the area in which the Company operates continues to be a dynamic and moving space and shareholders should know that the Company undertakes significant work to remain at the forefront of this business. Over the past few months, significant work has been undertaken to consider how best to utilise the Company's experience and knowledge to drive further growth for shareholders. The Board feels confident that the internal restructuring and focus on both the development of blockchain as a new commercial technology and the consideration of investment opportunities in the technology space represent the best opportunity to see growth for shareholders while operating in this space.</p>
<p>Company's Shares closing at a price equal to or greater than \$0.30 on five consecutive trading days over the term of the Performance Rights</p>	<p>Consistent with the commentary above.</p>

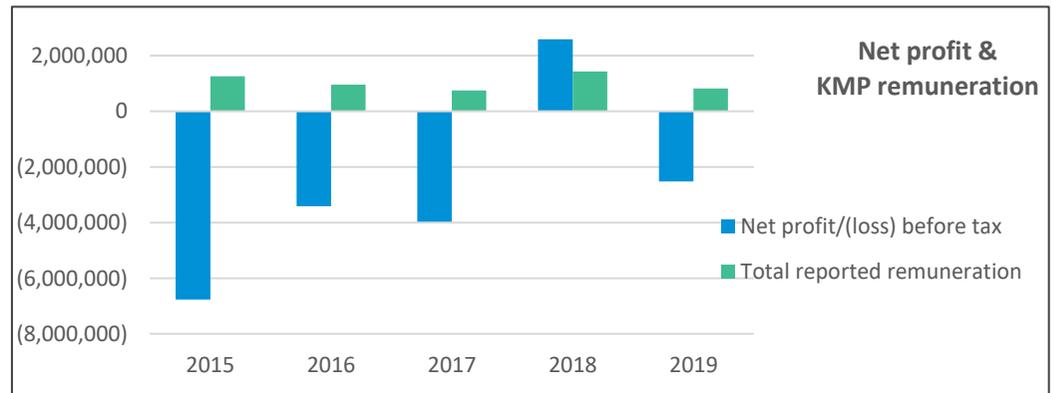
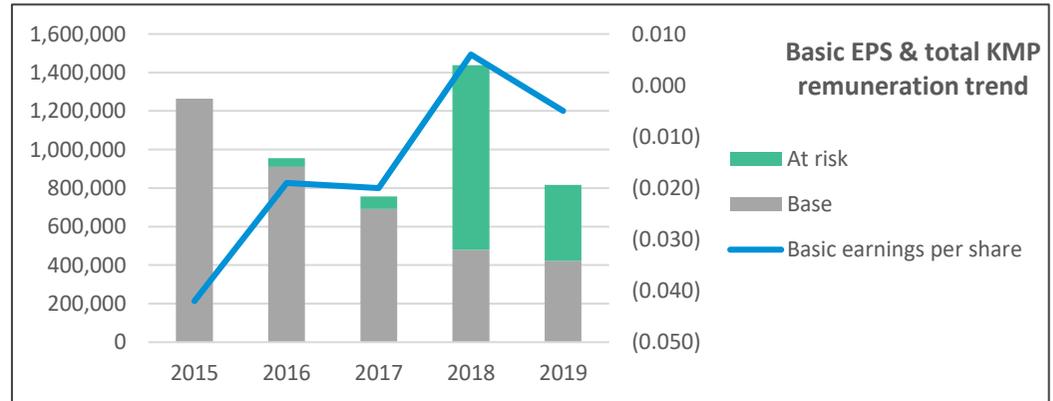
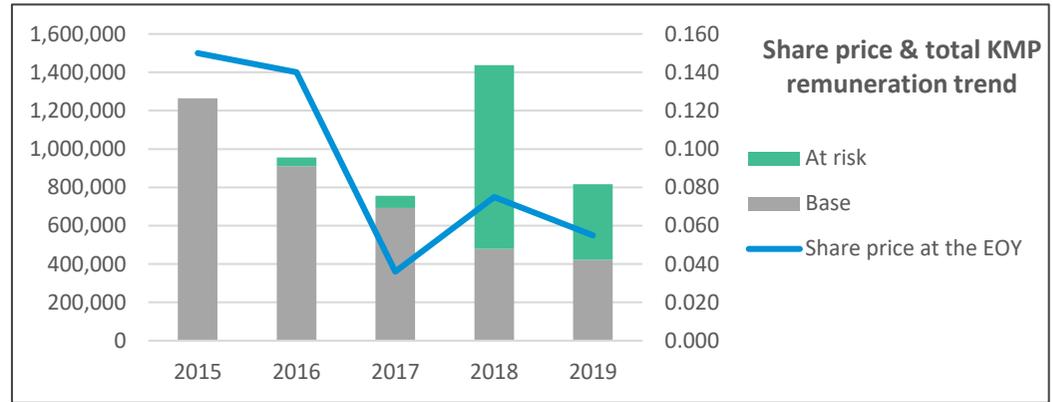


### RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

As noted in Sections A & B, the Board seeks to align the interests of the Executive Team with those of the shareholders when setting future short and long-term benefits. For the year ended 30 June 2019 the total remuneration is reflective of the remuneration strategy with adjustments made to reflect the current state of the Group and the change in performance from the previous year, this is evident from the relationship between:

- Total KMP reported remuneration down 43% from \$1,437,838 to \$816,299 reflective of a decrease in performance-based remuneration primarily in the form of share-based payments. Total base remuneration (including other benefits) was down 12% from \$479,860 to \$422,146 in line with the financial performance of the Company;
- The exception to the trend above is total remuneration for the Non-Executive Directors, Messrs Rubinstein and Lee, who received incentive options approved by shareholders at the 2018 AGM valued at \$296,636.
- The overall remuneration trend is also consistent with the share price performance and earnings per share (EPS) performance as evident in the graphs to the right;
- Subsequent to the end of the financial year, the Board decreased fees for Non-Executive Directors.

The Company is not yet at stage of its development where it considers benchmark returns against an ASX peer group (blockchain focussed) relevant based on limited inclusions and comparable data.



## RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE – FIVE YEAR DATA TABLE

The table below includes the remuneration and performance data from the preceding five (5) financial years used to analyse the linkage between remuneration and performance in the section above.

	30 June 2015 \$USD	30 June 2016 \$USD	30 June 2017 \$USD	30 June 2018 \$USD	30 June 2019 \$USD	
Revenue & other income from all operations	36,600,025	40,403,656	8,041,026	9,905,859	2,555,039	↓
Net profit/(loss) before tax	(6,769,719)	(3,417,305)	(3,973,961)	2,595,834	(2,524,151)	↓
Total reported in remuneration report	1,264,620	955,292	755,980	1,437,838	812,419	↓
Remuneration - Base	1,264,620	910,725	691,496	479,860	418,266	↓
Remuneration - At risk	- <sup>1</sup>	44,567	64,484	957,978	394,153	↓
Basic earnings/(loss) per share	(0.042)	(0.019)	(0.020)	0.006	(0.005)	↓
Diluted earnings/(loss) per share	(0.042)	(0.019)	(0.020)	0.005	(0.005)	↓
Share Price at the start of year	0.370	0.150	0.140	0.036	0.075	-
Share price at the end of year	0.150	0.140	0.036	0.075	0.055	↓
Final dividend	-	-	-	-	-	

<sup>1</sup> At risk remuneration for the year ended 30 June 2015 not shown as the amount was negative due to the reversal of the share-based payment expense for that year.

## C. KEY TERMS OF EMPLOYMENT CONTRACTS

### Executives

#### Mr Leigh Travers

Executive Director

Under an Executive Employment Agreement entered into between Mr Travers and DigitalX, Mr Travers is appointed as Executive Director, in effect from 28 November 2017. The employment will be ongoing until it is terminated in accordance with Mr Travers' Executive Employment Agreement. The employment may be terminated by either party giving 6 months' written notice (although less than 6 months' notice is required by DigitalX in certain circumstances such as Mr Travers' illness, absence, material breaches or misconduct in which case Mr Travers will not be entitled to receive any payment in lieu or compensation as set out below). On termination of his employment and where DigitalX elects to make payment in lieu of notice, the Company must pay Mr Travers a payment equal to his salary for the remainder of the notice period. Mr Travers will be under restraint and non-solicitation clauses for up to 24 months after the termination of his employment.

Mr Travers' current salary is \$USD145,000 per annum (exclusive of mandatory social security payments including superannuation) subject to annual salary reviews and his reasonable expenses will also be paid by the Company.

Under all of the Employment Agreements above, DigitalX, in its absolute discretion acting reasonably, can assign and transfer the employment to any of DigitalX's Related Bodies Corporate.

#### Mr Neel Krishnan

President

Under an Executive Employment Agreement entered into between Mr Krishnan and DigitalX, Mr Krishnan was appointed as President of DigitalX, in effect from 28 November 2016. The employment will be ongoing until it is terminated in accordance with Mr Krishnan's Employment Agreement. The employment may be terminated by either party giving 1 months' written notice (although less than 1 months' notice is required by DigitalX in certain circumstances such as Mr Krishnan's illness, absence, material breaches or misconduct in which case Mr Krishnan will not be entitled to receive any payment in lieu or compensation as set out below). On termination of his employment and where DigitalX elects to make payment in lieu of notice, the Company must pay Mr Krishnan a payment equal to his salary for the remainder of the notice period. Mr Krishnan will be under restraint and non-solicitation clauses for up to 12 months after the termination of his employment.

Mr Krishnan's current salary is \$USD148,000 per annum (inclusive of mandatory social security payments including superannuation) subject to annual salary reviews and his reasonable expenses will also be paid by the Company.

Under all of the Employment Agreements above, DigitalX, in its absolute discretion acting reasonably, can assign and transfer the employment to any of DigitalX's Related Bodies Corporate.

### Non-Executive Directors

Non-Executive Directors remuneration arrangements include compensation in the form of annual Directors' fees in accordance with their relevant service agreement. The Non-Executive Directors from time to time may receive incentive compensation in the form of share-based payments (as approved by Shareholders).

For the year ended 30 June 2019, all Non-Executive Directors received a base fee of \$AUD50,000 exclusive of entitlements. With the exception of Mr Peter Rubinstein who received a base fee of \$AUD75,000 from September 2018 onwards in recognition of the responsibilities of the role of the chair. Subsequent to the end of the year all fees were reduced back to \$AUD50,000.

Amounts payable to Director controlled entities for services provided by Directors for the year ending 30 June 2019 is detailed in the following table of this report. The Group may carry out consulting activities with the Directors on an arm's length basis in the normal course of business.

## D. REMUNERATION OF DIRECTORS AND EXECUTIVES

The compensation for each Director and executive for the period is contained in the following table:

Year ended 30 June 2019

Name	Short-term employee benefits			Post-employment benefits	Share-based payment		Total \$USD	At Risk %
	Salary & Fees <sup>1</sup> \$USD	Director Fees <sup>1</sup> \$USD	Other Benefits <sup>2</sup> \$USD	Superannuation <sup>3</sup> \$USD	Shares \$USD	Options and performance rights <sup>8</sup> \$USD		
<b>Non-Executive Directors</b>								
Peter Rubinstein	-	50,510	-	-	-	148,318	198,828	74.6%
Sam Lee <sup>5</sup>	-	35,707	-	-	-	148,318	184,025	80.6%
Toby Hicks <sup>6</sup>	-	6,087	-	-	-	-	6,087	-
Stephen Roberts <sup>7</sup>	-	9,569	-	-	-	-	9,569	-
<b>Executive Directors</b>								
Leigh Travers	140,062	-	9,494	13,306	-	29,354 <sup>4</sup>	192,216	20.2%
<b>Other KMP</b>								
Neel Krishnan	125,000	-	25,026	4,375	24,483	43,680	222,564	31.2%
<b>Total</b>	<b>265,062</b>	<b>101,003</b>	<b>34,520</b>	<b>17,681</b>	<b>24,483</b>	<b>369,670</b>	<b>812,419</b>	<b>49.9%</b>

<sup>1</sup> Amounts paid in Australian Dollars are converted to United States Dollars at time of payment.

<sup>2</sup> Other benefits include tokens from Initial Coin Offerings (ICOs) distributed to KMP and staff.

<sup>3</sup> Superannuation or equivalent (i.e 401k, social security).

<sup>4</sup> Included in the total is an amount of \$USD29,354 relating to the share-based payment expense for performance rights issued but not vested.

<sup>5</sup> Sam Lee resigned effective 8 July 2019.

<sup>6</sup> Toby Hicks resigned effective 7 September 2018 and was reappointed on 10 July 2019.

<sup>7</sup> Stephen Roberts was appointed effective 3 April 2019 and resigned on 4 July 2019.

<sup>8</sup> Refer to Sections E & F of the Remuneration Report for additional details.

## Year ended 30 June 2018

Name	Short-term employee benefits			Post-employment benefits	Share-based payment		Total \$USD	At Risk %
	Salary & Fees \$USD	Director Fees \$USD	Other Benefits <sup>2</sup> \$USD	Superannuation <sup>3</sup> \$USD	Shares, options and performance rights <sup>6</sup> \$USD	Shares, options and performance rights <sup>6</sup> \$USD		
<b>Non-Executive Directors</b>								
Peter Rubinstein	-	25,625	-	-	-	-	25,625	-
Sam Lee	-	22,453	-	-	-	-	22,453	-
Toby Hicks <sup>4</sup>	-	41,914	-	-	152,420	-	194,334	78.4%
Faisal Khan <sup>5</sup>	-	15,788	-	-	10,857	-	26,645	40.7%
<b>Executive Directors</b>								
Leigh Travers	133,909	-	69,399	12,721	167,320	534,813	918,162	76.5%
<b>Other KMP</b>								
Neel Krishnan	126,125	-	18,683	13,243	92,568	-	250,619	36.9%
<b>Total</b>	<b>260,034</b>	<b>105,780</b>	<b>88,082</b>	<b>25,964</b>	<b>423,165</b>	<b>534,813</b>	<b>1,437,838</b>	<b>66.6%</b>

<sup>1</sup> Amount paid in Australian Dollars are converted to United States Dollars at 0.7714.

<sup>2</sup> Other benefits include tokens from Initial Coin Offerings (ICOs) distributed to KMP and staff.

<sup>3</sup> Superannuation or equivalent (i.e 401k, social security).

<sup>4</sup> Toby Hicks resigned effective 7 September 2018.

<sup>5</sup> Faisal Khan resigned effective 23 November 2017.

<sup>6</sup> Refer to Sections E & F of the Remuneration Report for additional details.

## E. SHARE OPTIONS AND PERFORMANCE RIGHTS GRANTED TO DIRECTORS

Name	Options			
	Opening balance	Granted as compensation	Exercised during the period	Closing balance
2019				
Toby Hicks	-	-	-	-
Leigh Travers	-	-	-	-
Peter Rubinstein	-	4,500,000 <sup>1</sup>	-	4,500,000
Sam Lee	-	4,500,000 <sup>1</sup>	-	4,500,000
<b>Total</b>	<b>-</b>	<b>9,000,000</b>	<b>-</b>	<b>9,000,000</b>

<sup>1</sup> Messers Lee and Rubinstein were issued with 4,500,000 incentive options on the terms and conditions set out in the notice of annual general meeting for 2018 and approved at the Company's AGM on 22 November 2018. The incentive options were vested immediately in accordance with the terms and conditions approved by shareholders and 9,000,000 remain unexercised at 30 June 2019. Further details on the valuation can be found in Note F2.

Name	Options			
	Opening balance	Granted as compensation	Exercised during the period	Closing balance
2019				
Toby Hicks	-	-	-	-
Leigh Travers	1,000,000	29,000,000	<sup>1</sup> (1,000,000)	9,000,000
Peter Rubinstein	-	-	-	-
Sam Lee	-	-	-	-
<b>Total</b>	<b>1,000,000</b>	<b>9,000,000</b>	<b>(1,000,000)</b>	<b>9,000,000</b>

<sup>1</sup> On 3 July 2018, 1,000,000 performance rights were converted to ordinary shares for performance hurdles met in the previous financial year.

<sup>2</sup> Leigh Travers was issued with 9,000,000 performance rights on the terms and conditions set out in the notice of annual general meeting for 2018 and approved at the Company's AGM on 22 November 2018. During the year the performance hurdle for none of the 3 tranches were satisfied and 9,000,000 rights remain unvested at 30 June 2019. Further valuation details can be found in F2.

## F. SHAREHOLDINGS OF DIRECTORS

Directors	Opening Balance 1 July 2018	Granted as Compensation	Conversions & Vesting	Net Other Changes <sup>1</sup>	Closing Balance 30 June 2019
Peter Rubinstein	16,470,000	-	6,796,296 <sup>2</sup>	-	23,266,296
Sam Lee	4,911,111	-	5,185,185 <sup>2</sup>	-	10,096,296
Toby Hicks	800,000	-	-	(800,000)	-
Stephen Roberts	-	-	-	-	-
Leigh Travers	3,261,111	-	1,000,000 <sup>3</sup>	200,000	4,461,111
<b>Total</b>	<b>25,442,222</b>	<b>-</b>	<b>12,981,481</b>	<b>(600,000)</b>	<b>37,823,703</b>

<sup>1</sup> Net changes includes initial holdings, final holdings and on-market sales as reported to the market per the respective Appendix 3X, 3Y, and 3Z.

<sup>2</sup> Conversions relate to options received as part of convertible note entered into prior to becoming a Director.

<sup>3</sup> Included in the total is 1,000,000 shares received on vesting of performance rights noted in Section E above.

## G. RELATED PARTY TRANSACTIONS

### Year ended 30 June 2019

- During the year, the Group paid Steinepreis Paganin, a law firm of which former Non-Executive Director Toby Hicks is a partner, \$5,533 for legal services rendered on various matters. This amount relates to the period of the financial year that Mr Hicks was a Director of the Company. At 30 June 2019, Steinepreis Paganin is not considered a related party as Mr Hicks was not a Director at 30 June 2019.
- During the year, the Group recognised an expense and paid Blockchain Global Ltd, a company of which Messrs Rubinstein and Lee served as Directors of during the year, of \$1,211 for reimbursement of costs. The Company notes that both Mr Rubinstein and Mr Lee resigned as Directors of Blockchain Global during the year and the Company no longer considers Blockchain Global to be a related party on that basis. Messrs Rubinstein and Lee were appointed Directors of the Company as nominees of Blockchain Global Ltd.
- During the year, Mars Capital Australia Pty Ltd, a company controlled by Non-Executive Director Sam Lee, converted 14 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, to 5,185,185 ordinary shares. As part of the conversion 2,800,000 options exercisable at \$AUD0.0324 expiring 18 September 2020 were also issued. During the year, \$AUD5,236 of interest was paid, and recognised as an expense, on the convertible notes held. At 30 June 2019, no amounts were owed to Mars Capital.
- During the year, Irwin Biotech Nominees Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, converted 17 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, to 6,796,296 ordinary shares. As part of the conversion 3,400,000 options exercisable at \$AUD0.0324 expiring 18 September 2020 were also issued. During the year, \$AUD6,358 of interest was paid, and recognised as an expense on the convertible notes held. At 30 June 2019, no amounts were owed to Irwin Biotech.
- During the year, the Group paid Value Admin Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, \$USD50,509 as part of Non-Executive Director fees.

### Year ended 30 June 2018

- During the financial year 2,546,000 unlisted options exercisable at \$AUD0.08, expiring on 30 June 2018, lapsed unexercised.
- During the year, the Group paid Steinepreis Paganin, a law firm of which former Non-Executive Director Toby Hicks is a partner, \$AUD116,607 for legal services rendered on various matters. At 30 June 2018, the Group owed \$AUD2,545 to Steinepreis Paganin.
- During the year, the Group recognised an expense and paid Blockchain Global Ltd, a company of which Mr Lee served as a Director of for the year, \$USD469,623 for services related to initial coin offerings. At 30 June 2018, no amounts were owed to Blockchain Global Ltd. Messrs Rubinstein and Lee were appointed Directors of the Company as nominees of Blockchain Global Ltd.
- During the year, Mars Capital Australia Pty Ltd, a company controlled by Non-Executive Director Sam Lee, was issued 14 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, as approved by Shareholders on 25 August 2017. Each convertible note was entitled to 100,000 incentive options, exercisable at \$AUD0.0324 and expiring 8 September 2019. During the year, \$AUD11,737 of interest was paid, and recognised as an expense, on the convertible notes held. At 30 June 2018, the Group owed \$AUD5,236 to Mars Capital Australia Pty Ltd for unpaid interest.
- During the year, Irwin Biotech Nominees Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, was issued 17 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, as approved by Shareholders on 25 August 2017. Each convertible note was entitled to 100,000 incentive options, exercisable at \$AUD0.0324. During the year, \$AUD16,422 of interest was paid, and recognised as an expense on the convertible notes held. At 30 June 2018, the Group owed \$AUD6,357 to Irwin Biotech for unpaid interest.
- During the year, Rip Opportunities Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, was issued 10 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD 0.027 each, as approved by Shareholders on 25 August 2017. Each convertible note was entitled to 100,000 incentive options, exercisable at \$AUD 0.0324 and expiring 14 September 2019. Convertible notes have been converted during the year. During the year, \$AUD2,589 of interest was paid on the convertible notes held. At 30 June 2018, no amounts were owed to Rip Opportunities Pty Ltd as the notes have been converted during the year.
- During the year, the Group paid Value Admin Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, \$USD22,231 as part of Non-Executive Director fees.

#### H. FUTURE REMUNERATION DEVELOPMENTS

The Directors note at last year's Annual General Meeting the Remuneration Report passed unanimously on a show of hands and there were no comments on the Remuneration Report. There are no future developments planned.

## I. DEFINITIONS

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### Key management personnel

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

### Remuneration of an officer or employee of a corporation

A benefit given to an officer or employee of a corporation is remuneration if and only if the benefit, were it received by a director of the corporation, would be remuneration of the director for the purposes of an accounting standard that deals with disclosure in companies' financial reports of information about directors' remuneration.

### Remuneration committee

A committee of the board of directors of the company; and has functions relating to the remuneration of key management personnel for the company.

### Remuneration consultant

A person:

- a) Who makes a remuneration recommendation under a contract for services with the company to whose key management personnel the recommendation relates; and
- b) Who is not an officer or employee of the company.

### A remuneration recommendation

A recommendation about either or both of the following:

- a) For one or more members of the key management personnel for a company;
  - i. how much the remuneration should be;
  - ii. what elements the remuneration should have; or
- b) A recommendation or advice about a matter or of a kind prescribed by the regulations.

*ASIC may by writing declare that s.9B(1) of the Corporations Act 2001 above does not apply to a specified recommendation or specified advice but may do so only if ASIC is satisfied that it would be unreasonable in the circumstances for the advice or recommendation to be a remuneration recommendation. The declaration has effect accordingly. The declaration is not a legislative instrument.*

What is **not** a remuneration recommendation?

None of the following is a remuneration recommendation (even if it would otherwise be covered by subsection (1)):

- a) Advice about the operation of the law (including tax law);
- b) Advice about the operation of accounting principles (for example, about how options should be valued);
- c) Advice about the operation of actuarial principles and practice;
- d) The provision of facts;
- e) The provision of information of a general nature relevant to all employees of the company;
- f) A recommendation, or advice or information, of a kind prescribed by the regulations.

### AGM

Means an annual general meeting of a company that section 250N requires to be held.

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## END OF AUDITED REMUNERATION REPORT

## Directors' meetings

Given the size and scale of operations of the Company, the full Board undertook the responsibilities of the Audit and Risk Committee, Remuneration Committee and Nomination Committee.

The Directors attendances at Board meetings held during the financial year were:

Director	Board Meetings	
	Number eligible to attend	Number attended
Peter Rubinstein	11	11
Sam Lee	11	9
Toby Hicks <sup>1</sup>	2	2
Stephen Roberts <sup>2</sup>	4	4
Leigh Travers	11	11

<sup>1</sup> Toby Hicks resigned effective 7 September 2018.

<sup>2</sup> Stephen Roberts was appointed effective 3 April 2019.

## Shares under option

As at the date of this report, there are 32,348,997 options to subscribe for unissued ordinary shares in the Company, comprising:

Date options granted	Vesting Date	Option class	Exercise price of options	Expiry date of options	Number of shares under option
1 September 2018	-	Unlisted	\$0.0324	1 September 2020	6,172,840
8 September 2018	-	Unlisted	\$0.0324	8 September 2020	6,107,755
18 September 2018	-	Unlisted	\$0.0324	18 September 2020	8,800,000
10 December 2018	-	Unlisted	\$0.22	10 December 2023	2,000,000
10 December 2018	-	Unlisted	\$0.25	10 December 2023	3,000,000
10 December 2018	-	Unlisted	\$0.30	10 December 2023	4,000,000
17 May 2019	-	Unlisted	\$0.0847	17 May 2022	2,768,382
11 July 2019	-	Unlisted	\$0.10	30 June 2024	2,500,000

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or any other body corporate or registered scheme.

## Shares issued on exercise of options

During the financial year, and to the date of this report, the Company issued 27,877,778 Ordinary Shares, on exercise of options.

Date	Details	Issue Price A\$	Number of Shares
7 August 2018	Unlisted	0.0324	3,086,420
8 October 2018	Unlisted	0.0324	100,000
1 July 2019	Unlisted	0.0324	24,691,358

**Shares under convertible notes**

As at the date of this report, there are no convertible notes issued that are convertible to ordinary shares in the Company as all outstanding notes have converted subsequent to 30 June 2019 as set out in the table below:

**Shares issued on conversion of convertible notes**

During the financial year, and to the date of this report, the Company issued 46,296,294 Ordinary Shares, on conversion of Convertible notes.

Date	Notes converted	Value of note	Number of Shares	Issue Price A\$
18 September 2018	44	\$AUD10,000	16,296,295	0.027

**Indemnification of officers and auditors**

During the financial period, the Company paid a premium in respect of a contract ensuring the Directors, secretary and officers of the Company and of any related body corporate against a liability incurred as such a Director, Secretary or Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Company has executed a Deed of Protection for each of the Directors. The Company has not otherwise, during or since the financial period, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

**Non-audit services**

Amounts of \$AUD36,996 were paid to the auditor for non-audit, tax compliance services provided during the period. No amounts are payable as at the date of this report. Full details of amounts paid to the auditor, Grant Thornton Audit Pty Ltd, are set out in Note C3.

The Board of Directors has considered the position and are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as noted above, did not compromise the auditor independence requirements of the Corporations Act 2001 none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26.

**Auditor**

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

The Directors' Report is signed in accordance with a resolution of the Directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Board of Directors.



**Leigh Travers**  
Executive Director  
Perth, 30 September 2019

## DIRECTORS' DECLARATION

In the opinion of the Directors of DigitalX Limited (the 'Company'):

- (a) The financial statements, notes and the additional disclosures of the consolidated entity set out on pages 30 to 88 are in accordance with the Corporations Act 2001 including:
  - (i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the period then ended; and
  - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) The financial statements and notes thereto are in accordance with International Financial Reporting Standards, as stated in [Note B1](#) to the financial statements.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial period ended 30 June 2019.

Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the Directors



**Leigh Travers**  
Executive Director  
Perth, 30 September 2019

## AUDITOR'S' INDEPENDENCE DECLARATION



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Brisbane QLD 4000

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GPO Box 1008  
Brisbane QLD 4001

T 07 3222 0234  
E [info.qld@au.gt.com](mailto:info.qld@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

### Auditor's Independence Declaration

To the Directors of DigitalX Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of DigitalX Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd  
Chartered Accountants

S G Hancox  
Partner – Audit & Assurance

Brisbane 30<sup>th</sup> September 2019

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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## AUDITORS' REPORT



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## Independent Auditor's Report

To the Members of DigitalX Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of DigitalX Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## AUDITORS' REPORT

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Digital Assets (Note D4)</b></p> <p>For the year ended 30 June 2019, the Group carries \$7,115,373 in digital assets. The Group accounts for digital assets initially at fair value with subsequent re-measurement at fair value through profit or loss.</p> <p>Transactions involving digital assets, including balances recorded at period end, involve unique and complex concepts. Most notably, digital assets are transacted on the block chain, a decentralised ledger of which many users authenticate transactions and no one user can control. Digital assets are carried in either virtual wallets maintained on the block chain or hardware wallets that are stored on physical storage devices.</p> <p>This area is a key audit matter due to the complexities associated with determining ownership, existence and valuation.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Understanding the processes and controls surrounding the authorisation and recording of cryptocurrency transactions and balances;</li> <li>• Obtaining a list of all wallets used to transact on the block chain during the period or carrying units of digital assets at period end and verifying that the Group has custody over those wallets by: <ul style="list-style-type: none"> <li>- viewing the Chief Technology Officer access each wallet and perform a transaction using the delegations of authority, including dual authorisations, required to transact; and</li> <li>- on a sample basis, reviewing transactions in the wallet against third party, counter-signed agreements that corroborate that the wallet is under control of the Group;</li> </ul> </li> <li>• For all material block chain transactions, verifying the occurrence of the transaction by utilising third-party, publically available block chain navigation tools;</li> <li>• Performing sensitivity analysis in relation to changes in market value, verified market value to third party exchanges and foreign exchange rates; and</li> <li>• Assessing the appropriateness of the related disclosures within the financial statements.</li> </ul>
<p><b>Convertible Note (Note D5)</b></p> <p>During the year, the company entered into a convertible note with YPB Limited for a face value of \$195,650 USD.</p> <p>The convertible note is required to be fair valued at initial recognition in line with AASB 9 <i>Financial Instruments</i>.</p> <p>This area is a key audit matter due to the estimation involved in the determination of fair value.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Understanding the processes and controls surrounding the convertible note;</li> <li>• Reviewing the agreement to understand the key terms and conditions;</li> <li>• Reviewing managements expert valuation;</li> <li>• Vouching a sample of interest receipts received during the year to bank statements;</li> <li>• Consulting with our valuation specialists to ensure the basis of the valuation was reasonable; and</li> <li>• Assessing the appropriateness of the related disclosures in the financial statements.</li> </ul>

**Information other than the financial report and auditor's report thereon**

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

## AUDITORS' REPORT



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

#### Report on the remuneration report

##### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 9 to 21 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of DigitalX Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton Audit Pty Ltd  
Chartered Accountants

S Hancox  
Partner – Audit & Assurance

Brisbane, 30<sup>th</sup> September 2019

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	Note	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Revenue from operations	C2	1,013,096	8,211,408
Net gain on digital assets	C2	1,511,247	1,685,053
Other Income	C2	30,696	9,398
Professional and consultancy fees	C3	(464,690)	(475,229)
Settlement costs		(526,068)	-
Brokerage costs		(69,920)	(1,545,670)
Corporate expenses		(188,101)	(334,831)
Advertising, media and investor relations		(266,414)	(249,875)
Employee benefit expenses		(1,520,014)	(1,597,924)
Share based payments – employee benefits		(700,044)	(1,285,386)
Depreciation		(53,883)	(12,295)
Intangible asset impairment	E2	(50,000)	-
Realised and unrealised foreign exchange losses		(191,370)	(270,259)
Impairment/loss on non-financial assets		(69,944)	(463,184)
Fair value movement of financial assets		14,450	(47,874)
Interest expense		(70,074)	(54,268)
Finance costs		-	(682,036)
Other expenses	C3	(838,128)	(521,697)
Equity accounted share of profit/(loss) from joint venture	D5	(38,442)	37,144
<b>Profit/(Loss) before tax</b>		<b>(2,477,603)</b>	<b>2,402,473</b>
Income tax benefit/(expense)	C4	-	-
<b>Profit/ (Loss) after income tax from continuing operations</b>		<b>(2,477,603)</b>	<b>2,402,473</b>
Profit/(Loss) from discontinued operations		-	40,748
<b>Profit/(Loss) for the period</b>		<b>(2,477,603)</b>	<b>2,443,221</b>
<b>Profit/(Loss) attributable to:</b>			
Members of the parent entity		(2,524,151)	2,595,834
Non-controlling interests		46,548	(152,613)
		<b>(2,477,603)</b>	<b>2,443,221</b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME (CONTINUED)

	Note	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
<b>Profit/(Loss) for the period</b>		<b>(2,477,603)</b>	<b>2,443,221</b>
<b>Other comprehensive income for the period</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of operations		19,126	(2,561)
<b>Other comprehensive income for the period, net of tax</b>		<b>19,126</b>	<b>(2,561)</b>
<b>Total comprehensive income for the period</b>		<b>(2,458,476)</b>	<b>2,440,660</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Members of the parent entity		(2,486,844)	2,579,947
Non-controlling interests		28,368	(139,287)
		<b>(2,458,476)</b>	<b>2,440,660</b>
<b>Profit/(Loss) per share attributable to the ordinary equity holders of the parent:</b>			
<b>Basic earnings/(loss) per share (cents)</b>	C5		
Earnings per share from continuing operations		(0.005)	0.006
Earnings per share from discontinued operations		0.000	0.000
<b>Total</b>		<b>(0.005)</b>	<b>0.006</b>
<b>Diluted earnings/(loss) per share (cents)</b>	C5		
Earnings per share from continuing operations		(0.005)	0.005
Earnings per share from discontinued operations		0.000	0.000
<b>Total</b>		<b>(0.005)</b>	<b>0.005</b>

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	D3	5,160,689	5,772,287
Trade and other receivables	C2	266,469	1,295,844
Digital assets	D4	7,115,373	4,500,282
<b>Total Current Assets</b>		<b>12,542,531</b>	<b>11,568,413</b>
<b>NON-CURRENT ASSETS</b>			
Investments	D5	518,313	-
Investments – Equity Accounted	D5	16,259	56,581
Property, plant and equipment	E1	297,490	502
Intangible assets	E2	-	49,519
<b>Total Non-Current Assets</b>		<b>832,062</b>	<b>106,602</b>
<b>TOTAL ASSETS</b>		<b>13,374,593</b>	<b>11,675,015</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	C3	1,029,974	574,696
Contract liabilities	C3	188,128	-
Finance liabilities	D6	-	281,446
<b>Total Current Liabilities</b>		<b>1,218,102</b>	<b>856,142</b>
<b>TOTAL LIABILITIES</b>		<b>1,218,102</b>	<b>856,142</b>
<b>NET ASSETS/(NET ASSET DEFICIENCY)</b>		<b>12,156,491</b>	<b>10,818,873</b>
<b>EQUITY</b>			
Contributed equity	F1	33,662,319	30,431,588
Reserves	F2	1,384,860	832,033
Retained earnings/(losses)		(23,483,498)	(20,959,347)
<b>Capital &amp; reserves attributable to owners of DigitalX</b>		<b>11,563,681</b>	<b>10,304,274</b>
Non-controlling interests	F2	592,810	514,599
<b>TOTAL EQUITY</b>		<b>12,156,491</b>	<b>10,818,873</b>

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
<b><i>Cash flows from operating activities</i></b>			
Receipts from customers		1,271,834	4,585,891
Payments to suppliers and employees		(3,512,924)	(2,532,763)
Other income		48,010	212,493
Interest paid		(12,168)	(60,000)
Payment for purchase of bitcoin		-	(135,068)
Payments for power and hosting		-	(5,000)
<b>Net cash provided by/(used in) operating activities</b>		<b>(2,205,248)</b>	<b>2,065,553</b>
<b><i>Cash flows from investing activities</i></b>			
Acquisition of property plant and equipment		(347,992)	(1,883)
Payment for investments		(506,796)	(487,540)
Payment for digital assets in fund		(495,817)	(961,995)
Payment for deposits		-	(11,683)
Loan to related party		(17,538)	-
<b>Net cash provided by/(used in) investing activities</b>		<b>(1,368,143)</b>	<b>(1,463,101)</b>
<b><i>Cash flows from financing activities</i></b>			
Proceeds from issue of equity securities		3,226,941	3,762,469
Proceeds from issue of units in fund		97,500	1,366,773
Proceeds from issue of convertible notes		-	225,188
Payments for share issue costs		(176,548)	(180,550)
<b>Net cash provided/(used in) by financing activities</b>		<b>3,147,893</b>	<b>5,173,840</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(425,498)</b>	<b>5,776,292</b>
Cash and cash equivalents at beginning of period		5,772,287	232,225
Foreign exchange movement in cash		(186,100)	(236,230)
<b>Cash and cash equivalents at end of period</b>	D3	<b>5,160,689</b>	<b>5,772,287</b>

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

## Reconciliation of operating cash flows to net profit

	Note	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
<b>Profit/(loss) after income tax</b>		<b>(2,477,603)</b>	<b>2,443,221</b>
<i>Non-cash flows in profit/(loss)</i>			
Net fair value (gain)/ loss on digital assets	C2	(1,511,247)	(1,685,053)
Intangible asset impairment	E2	50,000	-
Depreciation	E1	53,883	12,295
Non-cash legal settlement	C3(B)	245,233	-
Employee share issue	F1 & F2	700,044	1,285,386
Fair value adjustment of investments		69,494	511,059
Finance costs	D6	69,906	682,036
Equity account share of profit/(loss) from joint venture	D5	38,442	(37,144)
Other non-cash (income)/expenses including foreign exchange		222,190	(152,032)
		<b>(2,539,208)</b>	<b>3,059,768</b>
<i>Change in assets and liabilities, net the effects of purchase of subsidiaries</i>			
Decrease/(increase) in trade and other receivables	C2	259,375	(1,206,524)
(Decrease)/increase in trade payables and accruals	C3	(113,542)	212,310
(Decrease)/increase in contract liabilities	C3	188,128	-
(Decrease)/increase in tax payable	C4	-	-
<b>Net cash provided by/(used in) operating activities</b>		<b>(2,205,248)</b>	<b>2,065,553</b>

## Non-cash investing and financing activities

**Current year**

In addition to the above, the Group also had the following non-cash investing and financing activities that impacted on the Statement of Profit and Loss and Other Comprehensive Income and the Statement of Financial Position.

- Shares issued on conversion of convertible note – [Note D4](#) and [Note F1](#); and
- Options issued to advisors for capital raising – [Note F2](#).

**Prior Year**

During the 2018 year the Group [announced](#) that it had invested \$AUD750,000 into the DigitalX Fund. This amount comprised \$AUD631,000 in cash payment included in the consolidated cashflows under payment for investments including digital assets in fund. The remaining amount of \$AUD131,000 was invested by way of cryptocurrencies. As the Group controls the DigitalX Fund this amount is eliminated on consolidation in accordance with principles set out in Note G1.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Group	Contributed Equity \$USD	Reserves <sup>1</sup> \$USD	Retained Earnings/(Losses) \$USD	Total \$USD	Non-controlling interest \$USD	Total \$USD
Balance at 1 July 2018	30,431,588	832,033	(20,959,346)	10,304,274	514,600	10,818,874
Profit/(Loss) for the year	-	-	(2,524,151)	(2,524,151)	46,548	(2,477,603)
Other comprehensive income	-	37,307	-	37,307	(18,181)	19,126
<b>Total comprehensive income for the period</b>	-	<b>37,307</b>	<b>(2,524,151)</b>	<b>(2,486,844)</b>	<b>28,368</b>	<b>(2,458,476)</b>
Shares issued during the period <sup>3</sup>	3,224,128	-	-	3,224,128	-	3,224,128
Units issued during the period <sup>2</sup>	-	-	-	-	49,843	49,843
Share issue costs	(294,002)	116,081	-	(177,921)	-	(177,921)
Share based payment expense	300,605	399,439	-	700,044	-	700,044
Share options issued	-	-	-	-	-	-
Share options and performance rights converted	-	-	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>33,662,319</b>	<b>1,384,860</b>	<b>(23,483,498)</b>	<b>11,563,681</b>	<b>592,810</b>	<b>12,156,491</b>

<sup>1</sup> Refer to Note F2 for reconciliation of reserve balances.

<sup>2</sup> Balance is net of issues, redemptions and change of ownership.

<sup>3</sup> Refer to Note F1 for details of shares issued during the financial year.

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Consolidated Group	Contributed Equity \$USD	Reserves <sup>1</sup> \$USD	Retained Earnings/(Losses) \$USD	Total \$USD	Non-controlling interest \$USD	Total \$USD
<b>Balance at 1 July 2017</b>	<b>22,653,332</b>	<b>396,194</b>	<b>(23,555,180)</b>	<b>(505,653)</b>	<b>-</b>	<b>(505,653)</b>
Profit/(Loss) for the year	-	-	2,595,834	<b>2,595,834</b>	(152,613)	<b>2,443,221</b>
Other comprehensive income	-	(15,887)	-	<b>(15,887)</b>	13,326	<b>(2,561)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(15,887)</b>	<b>2,595,834</b>	<b>2,579,947</b>	<b>(139,287)</b>	<b>2,440,660</b>
Shares issued during the period	7,759,367	-	-	<b>7,759,367</b>	-	<b>7,759,367</b>
Units issued during the period	-	-	-	-	653,887	<b>653,886</b>
Share issue costs	(394,036)	-	-	<b>(394,036)</b>	-	<b>(394,036)</b>
Share based payment expense	-	350,294	-	<b>350,294</b>	-	<b>350,294</b>
Share options issued	-	414,506	-	<b>414,506</b>	-	<b>414,506</b>
Share options and performance rights converted	375,754	(375,754)	-	-	-	-
Equity component of convertible note	-	78,465	-	<b>78,465</b>	-	<b>78,465</b>
Early conversion of convertible note	37,171	(15,785)	-	<b>21,386</b>	-	<b>21,386</b>
<b>Balance at 30 June 2018</b>	<b>30,431,588</b>	<b>832,033</b>	<b>20,959,346</b>	<b>10,304,274</b>	<b>514,600</b>	<b>10,818,874</b>

<sup>1</sup> Refer to Note F2 for reconciliation of reserve balances.

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR END 30 JUNE 2019

The notes to the financial statements have been set out under the following main headings:

- A. Legend
- B. Basis for preparation (B1)
- C. Key operating & financial results (C1 to C5)
- D. Capital & risk management (D1 to D6)
- E. Financial position (E1 to E2)
- F. Equity (F1 to F2)
- G. Group structure (G1 to G3)
- H. Other disclosures (H1 to H4)

## A - LEGEND

**CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in developing and applying accounting policies**

The following are the critical judgements, apart from those involving estimations (see Notes below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

- Note C2 – Revenue recognition
- Note D4 – Digital assets
- Note D4 – Fair value of digital assets
- Note G1 – Consolidation of DigitalX Fund

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- Note C4 – Multijurisdictional taxation of operations
- Note F2 – Valuation of share-based payments

**KEY AUDIT MATTER**

Item is a key audit matter referenced in the Auditor's Report on Page 27.

**ADDITIONAL COMMENTARY**

Additional management commentary on the item has been provided above what is required under legislation or accounting standards for stakeholders to understand the financial report

## B - BASIS FOR PREPARATION

The section below includes information regarding how the overall financial statements are prepared including the key accounting policies and accounting standard frameworks applied.

### CORPORATE INFORMATION

The consolidated historical financial statements of DigitalX Limited and its controlled entities (collectively, the Consolidated Entity or Group) for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 30 September 2019.

DigitalX Limited (the Company or the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Company is a for-profit entity.

The nature of the operations and principal activities of the Group are described in the Directors' Report. Information on the Group's structure is provided in Note G1. Information on other related party relationships is provided in Note H1.

The Company's Corporate Governance Statement for the 2019 financial year can be accessed at: <https://DigitalX.com/corporate-governance/>.

### B1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial report are set out below and the preceding notes. These policies have been applied consistently to all periods presented in the financial report excepted as described in Note C2 & Note D2. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### Basis of preparation

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) and interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. All amounts are presented in United States Dollars, unless otherwise noted.

#### Compliance with IFRS

The consolidated financial report of the Group also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### Historical cost convention

The consolidated financial report has been prepared under the historical cost convention, except for digital assets that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Cost is based on the fair value of the consideration given in exchange for assets.

#### Going concern

At the date of this report the Consolidated Entity's has a strong working capital position and its cash flow forecast indicates that it expects to be able to meet its minimum commitments and working capital requirements for the twelve-month period from the date of signing the financial report.

#### Presentation and functional currency

##### Presentation currency

The consolidated financial report is presented in United States Dollars.

##### Functional currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United States dollars ('\$USD'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. Due to the nature of these activities for all entities in the Group the functional currency has been determined to be \$USD.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

■ The Group continues to monitor its exposure and dealings in various currencies including \$USD, \$AUD, \$HKD and has considered that for the year ended 30 June 2019 that \$USD is the most appropriate currency for the Group's reporting as the predominant currency for revenue generating activities has been \$USD combined with the material US operations. The Group will continue to assess the relevant of that assessment each reporting period.

#### ***Current and non-current classification***

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when it is:

- expected to be settled in normal operating cycle;
- held primarily for the purpose of trading;
- due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## C - KEY OPERATING & FINANCIAL RESULTS

The section below includes information regarding how the Group performed during the financial year including segment analysis and detailed breakdowns of items in the Statement of Profit or Loss and Other Comprehensive Income.

**This section includes the following disclosures:**

**C1** Segment Information (Page 41)

**C2** Revenue & Receivables (Page 44)

**C3** Expenses, Payables & Other Payables (Page 46)

**C4** Income Tax (Page 48)

**C5** Earnings Per Share (Page 51)

## C1 SEGMENT INFORMATION

### Segment reporting

AASB 8 requires operating segments to be identified based on internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

Based on the information used for internal reporting purposes by the Chief Operating Decision Maker (CODM), being the Board, which makes strategic decisions, at 30 June 2019 the Group operated three segments: Advisory, Funds Under Management, and Technology. The Group does report media and marketing as a segment as the Group's interest in these activities is via a joint venture as disclosed in Note D5. In the previous corresponding period (period ended 30 June 2018) the Group had three reportable segments: ICO Advisory, Funds Under Management, and Technology.

### Segment description



#### ADVISORY

The Group provides advisory services specialising in four main categories; consulting, technical due diligence, development, marketing and promotion, and introductions to DigitalX's network.



#### TECHNOLOGY

The Group has previously been engaged in the development of a mobile application remittance software, "AirPocket". The development activities are part of an internal project, with costs incurred both by an internal software development team and through the outsourcing of development activities to external contractors.



#### FUNDS UNDER MANAGEMENT (FUM)

The FUM division was setup in 2018 to give high net worth and institutional investors access to a portfolio of digital assets. DigitalX's first fund invests predominantly in the leading digital assets, with a smaller allocation towards special trading opportunities.



#### OTHER

Amounts disclosed in the segment primarily relates to Group-level functions including governance, finance, legal, risk management, company secretarial and management of the corporate entity.

## SEGMENT PERFORMANCE

Segment reporting (\$USD)	ADVISORY		FUNDS UNDER MANAGEMENT <sup>2</sup>		TECHNOLOGY		OTHER		TOTAL	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
<b>Results</b>										
Segment revenue	914,557	8,211,408	26,048	-	-	-	72,492	-	1,013,096	8,211,408
Intersegment revenue	-	-	-	-	-	-	-	-	-	-
<b>Segment result</b>	<b>(185,351)</b>	<b>6,441,782</b>	<b>(737,676)</b>	<b>(141,391)</b>	<b>(206,311)</b>	<b>(123,075)</b>	<b>(1,135,866)</b>	<b>(3,745,422)</b>	<b>(2,265,204)</b>	<b>2,431,893</b>
Income tax expense/(benefit)		-	-	-	-	-	-	-	-	-
Profit/(Loss) from discontinued operations		-	-	-	-	-	-	-	-	40,748
<b>Segment result after tax</b>	<b>(185,351)</b>	<b>6,441,782</b>	<b>(737,676)</b>	<b>(141,391)</b>	<b>(206,311)</b>	<b>(123,075)</b>	<b>(1,135,866)</b>	<b>(3,745,422)</b>	<b>(2,265,204)</b>	<b>2,472,641</b>
<b>Reconciliation to profit/loss after tax</b>									<b>(2,265,204)</b>	<b>2,472,641</b>
Equity accounted share of profit from joint venture	-	-	-	-	-	-	-	-	(38,442)	37,143
Interest									(70,074)	(54,268)
Depreciation									(53,883)	(12,295)
Amortisation & impairment									(50,000)	-
Taxation									-	-
<b>Profit/(loss) after income tax</b>									<b>(2,477,603)</b>	<b>2,443,221</b>

<sup>1</sup>Revenue earned from external customers by geography and major customer information is not able to be disclosed as the information is not available to the Group.

<sup>2</sup> For the purpose of segment reporting the Funds Under Management segment does not include the operating results, segment assets or segment liabilities of the DigitalX Fund as CODM reviews the fund on a fair value basis of the Group's interest in the fund as disclosed in Note D5.

## SEGMENT POSITION

	ADVISORY		FUNDS UNDER MANAGEMENT		TECHNOLOGY		OTHER		TOTAL	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
<b>Segment reporting (\$USD)</b>										
<b>Assets</b>										
Segment assets	53,377	965,113	22,477	-	-	49,519	13,298,739	10,660,383	13,374,593	11,675,015
<b>Total assets</b>	<b>53,377</b>	<b>965,113</b>	<b>22,477</b>	<b>-</b>	<b>-</b>	<b>49,519</b>	<b>13,298,739</b>	<b>10,660,383</b>	<b>13,374,593</b>	<b>11,675,015</b>
<b>Assets pertaining to discontinued operations</b>	-	-	-	-	-	-	-	-	-	-
<b>Liabilities</b>										
Segment liabilities	580	23,136	1,183	24,666	-	-	1,216,339	808,399	1,218,102	856,141
<b>Total liabilities</b>	<b>580</b>	<b>23,136</b>	<b>1,183</b>	<b>24,666</b>	<b>-</b>	<b>-</b>	<b>1,216,339</b>	<b>808,399</b>	<b>1,218,102</b>	<b>856,141</b>
<b>Liabilities pertaining to discontinued operations</b>	-	-	-	-	-	-	-	-	-	-

## C2 - REVENUE & RECEIVABLES

### Policy - Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable; taking into account contractually defined terms of payment, if any, and excluding taxes or duty.

Revenue is recognised when the specific recognition criteria described below have been met:

#### A. Advisory & Consulting

The Group provides consulting services for its customers, assisting in the customers' sale of its digital assets, with the sale being conducted as a token sale or pre token sale. In either case, these services are rendered until the close of the sale. For the provisioning of its consulting services, the Group is remunerated by its customers through the distribution of cash, the customers' digital asset, other digital assets, or a combination of these sources.

#### Performance Obligations

The Group recognises token sale consulting revenue as a point in time obligation when its services have been fully rendered under contract and the Group no longer has any continuing involvement in the sale of digital assets by its customers and the consideration becomes payables. If the Group is entitled to consideration on a pro rata basis or for works complete, then the Group shall recognise revenue over time by reference to the work completed.

The Group recognises revenue from fund raising at the time the customer receives the benefits of the fund raising. Depending on the nature of the individual agreement with the customer, this may be through-out the duration of the token sale or at the completion of the token sale and funds are received by the customer.

#### Transaction Price

Where the contract provides for payment in the customers digital assets, the digital asset's fair value is determined:

- by referencing publicly available pricing data from digital asset exchanges; or
- for those digital assets not yet listed on exchanges, by referencing the results of the sale (i.e. the unit price of a digital asset can be measured by dividing the dollar amounts raised in the sale by the number of units issued in the sale).

From 1 July 2018 the Group adopted AASB 15: Revenue from Contracts with Customers. Previously, the Group measured advisory revenue including the receipt of digital assets at the fair value of consideration received. Furthermore, Management only identified one engagement which has spanned across the financial year ended 30 June 2018 into the financial year ending 30 June 2019. Under the new standard, Management have assessed the performance obligations within the contract and have determined the revenue shall be recorded at the point in time the obligation is satisfied which occurred during the period. Given the above, Management have deemed no adjustments to the prior period balances were required.

#### B. Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. The Group allows 1% for amounts that are 30 to 60 days past due, 1.5% for amounts that are between 60 and 90 days past due and impair any amounts that are more than 90 days past due.

#### C. Interest revenue

Interest income is recognised on a time proportion basis that takes into account the effective yield on the financial asset.

**Revenue**

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Advisory	859,743	8,035,852
Consulting	126,517	175,556
Asset Management Fees	18,293	-
Licensing	8,543	-
<b>Total revenue</b>	<b><sup>1</sup>1,013,096</b>	<b>8,211,408</b>

<sup>1</sup> Revenue recognised at point in time included in the total for the year ended 30 June 2019 was \$691,979.

**Trade and other receivables**

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Trade receivables (gross) <sup>1</sup>	57,012	1,037,624
Loss allowance	-	-
<b>Trade receivables – Net</b>	<b>57,012</b>	<b>1,037,624</b>

**Other receivables**

Statutory tax receivable	13,621	86,972
Loan to a related party	26,099	5,932
Deposits	68,745	11,682
Other	100,992	153,634
<b>Total trade and other receivables</b>	<b>266,469</b>	<b>1,295,844</b>

<sup>1</sup> Included in the balance at 30 June 2018 is an amount \$USD770,000 for token to be received from a customer pending a token generation event (TGE) that had not yet occurred. These tokens were received during the financial year 30 June 2019.

**Other Income**

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Interest received	30,696	-
Other income	-	9,398
	<b>30,696</b>	<b>9,398</b>

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Net fair value gain on digital assets held <sup>1</sup>	1,511,247	1,685,053

<sup>1</sup> Refer to Note D4 for further information on Digital Assets

**C3 - EXPENSES, PAYABLES & OTHER PAYABLES****Policy - Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**Policy - Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

**Policy - Employee benefits***Short-term and long-term employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

**Policy - Goods and services, Value Added Tax, or Sales Tax**

Amounts are recognised net of the amount of associated GST or VAT, except:

- where the GST or VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST or VAT is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST or VAT.

The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST or VAT component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

**(A) Professional and Consultancy fees**

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Legal fees	177,108	122,051
Consulting fees	209,280	247,909
Tax consulting fees	28,708	14,167
Audit fees	49,594	91,102
<b>Total professional and consultancy fees</b>	<b>464,690</b>	<b>475,229</b>

**(B) Settlement costs**

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Settlement costs <sup>1,2</sup>	526,068	-
<b>Total other expenses</b>	<b>526,068</b>	<b>-</b>

<sup>1</sup> The balance relates solely to the finalisation of legal proceedings following the Group entering into a settlement deed. The terms of settlement were \$AUD750,000 payable in \$AUD400,000 cash and \$AUD350,000 shares [as announced](#) to the market on 7 May 2019 which is expected to be a non-recurring amount. Included in the total is an amount of \$245,233 that was settled with shares in 3 tranches.

<sup>2</sup>The Group also incurred \$USD66,830 in legal fees for this matter included in the total legal fees disclosed above in (A).

**(C) Other expenses**

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Office and administration	344,186	201,906
Bank charges	11,193	5,866
Other expenses	482,749	313,925
<b>Total other expenses</b>	<b>838,128</b>	<b>521,697</b>

**Current liabilities – trade & other payables**

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Trade payables	242,723	377,682
Accrued expenses <sup>1</sup>	209,426	187,768
PAYG withholding payable	16,086	9,244
Share applications	561,739	-
<b>Total trade &amp; other payables</b>	<b>1,029,974</b>	<b>574,694</b>

<sup>1</sup> Included in this is an amount of \$AUD150,000 for the second tranche of the legal settlement reference above in Note C3 (B).

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Contract liability for services to be rendered	188,128	-
<b>Contract liability</b>	<b>188,128</b>	<b>-</b>

**Remuneration of Auditors**

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Remuneration of the auditors of the Company for: <i>Grant Thornton Audit Pty Ltd</i>		
Audit and review of financial reports	49,594	78,626
Non-audit services – tax compliance	28,708	12,476
	<b>78,302</b>	<b>91,102</b>

**C4 INCOME TAX****Policy - Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income or tax loss based on the applicable income tax rate for each jurisdiction.

**Current tax**

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Current and deferred tax for the period**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### **Tax consolidation**

The Company and its wholly-owned Australian tax resident entities are part of a tax-consolidated group under Australian taxation law. The head entity within the tax-consolidated group is DigitalX Limited. Digital CC Holdings joined the DigitalX Limited tax consolidation group on 26 May 2014.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial reports of the members of the tax-consolidated group using the 'separate taxpayer within group's approach, by reference to the carrying amounts in the separate financial reports of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the wholly-owned entities are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (or receivable) to (or from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. The head entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the assets can be utilised.

## **Estimates & Judgement – Taxation**

### **Income taxes**

The Group operates in a newly emerging industry and the application of taxation laws in Australia, the United States, Hong Kong and previously Iceland (the principal countries in which the Group currently operates) in relation to the Group's activities may change from time to time. Changes in the taxation laws or in assessments or interpretation or decisions in respect of, but not limited to the following, may have a significant impact on the Group's results:

- Jurisdiction in which and rates at which income is taxed;
- Jurisdiction in which and rates at which expenses are deductible;
- The nature of income taxes levied, for example whether taxes are assessed on the revenue account or on the capital account;
- Requirements to file tax returns; and
- The availability of credit for taxes paid in other jurisdictions, for example through the operation of double taxation treaties.

In recognition of the limited trading and tax history of the Group, management do not consider there is sufficient evidence of probability of the ability to utilise temporary differences and tax losses and hence no deferred tax asset has been recognised as at 30 June 2019 in relation to these assets. The Group will continue to assess the performance and may in the future recognise some or all of these assets.

The Group has taken the approach to calculate income tax expense on the basis that all revenue and expenses attributable to its operations are taxable in Australia and all revenue and expenses attributable to its trading operations are taxable in the United States in addition to certain employee costs incurred in the United States plus an appropriate mark-up.

### **A. Income tax expense**

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Current tax expense / (benefit)	-	-
Deferred tax expense / (benefit)	-	-
<b>Total income tax (benefit) in profit or loss</b>	<b>-</b>	<b>-</b>

**B. Numerical reconciliation of tax expense to prima facie tax payable**

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Profit/(Loss) before tax from continuing operations	(2,477,603)	2,402,473
Profit/(Loss) before tax from discontinued operations	-	40,748
<b>Profit/(Loss) before tax</b>	<b>(2,477,603)</b>	<b>2,443,221</b>
Tax at the Group's statutory income tax rate of Australia: 27.5% (2018: 27.5%)	(681,341)	671,886
Tax effect of amounts which are not deductible or assessable (taxable) in calculating taxable income:		
Non-deductible share-based payment	192,512	353,481
Non-deductible settlement fees	67,439	-
Non-deductible impairment losses	13,750	13,165
Non-deductible finance costs – convertible note	19,131	148,803
Profit from equity accounted investments	(10,571)	10,214
Other	265	1,580
Effect of different tax rates of subsidiaries operating in other jurisdictions	59,309	10,627
Unrealised gain on foreign exchange	(214)	1,010
Effect of timing expenses that are not deductible	(54,451)	7,434
Deferred tax assets not recognised <sup>1</sup>	417,489	202,888
Distribution to trust beneficiaries	(23,318)	-
Previously unrecognised tax losses now recouped to reduce tax expense	-	(1,421,088)
<b>Income tax expense/(benefit)</b>	<b>-</b>	<b>-</b>
Income tax expense/(benefit) is attributable to:		
Profit/(Loss) from continuing operations	-	-
Profit/(Loss) from discontinued operations	-	-
	-	-

<sup>1</sup> Amount relates to tax losses incurred in US operations that cannot be applied to profits generated in Australia or entities outside the tax consolidated group.

**C. Current tax assets and liabilities**

Current tax liability	-	-
Income tax payable	-	-
<b>Total current tax liability</b>	<b>-</b>	<b>-</b>

**D. Deferred tax assets and liabilities**

As at 30 June 2019 the Group has tax losses available to be applied in the future periods in the United States and Australia estimated to be \$USD5.9 million and \$USD4.2 million respectively. The losses in respect of the Group's operations in Hong Kong are immaterial. In addition, the Group has gross capital losses in Australia estimated at \$USD1.1 million at 30 June 2019.

The Group reviews the recoverability of tax losses each reporting period by reviewing the continuity of ownership test (COT) or Same Business Test (SBT) and no adjustments have been made for the year ended 30 June 2019. Other than those noted above and tax losses there are no other material temporary differences.

#### E. Other tax information

The tax rate used for the reconciliation above is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law for entities with gross consolidated turnover of less than \$AUD25,000,000.

Franking Account	-	-
Amounts recognised directly in equity	-	-

#### Future Developments

- (i) The Group notes that from the 2019 financial year on, the corporate tax for Hong Kong will use a two-tier regime where profits will be assessed at 8.25% for the first \$HK2,000,000 and 16.5% (2018: 16.5%) above \$HK2,000,000. The Group's operations in Hong Kong are immaterial and the effective of the rate is expected to immaterial.
- (ii) The Group completed a transfer pricing update review between the Australian and US operations, the impact to the consolidated results arising from the difference in tax rates was immaterial.

## C5 - EARNINGS PER SHARE (EPS)

### Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) after tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued or cancelled during the period.

#### Diluted earnings per share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
<b>Basic earnings/(loss) per share (cents)</b>		
From continuing operations	(0.005)	0.006
From discontinued operations	0.000	0.000
<b>Total</b>	<b>(0.005)</b>	<b>0.006</b>
<b>Diluted earnings/(loss) per share (cents)</b>		
From continuing operations	(0.005)	0.005
From discontinued operations	0.000	0.000
<b>Total</b>	<b>(0.005)</b>	<b>0.005</b>

The earnings/(loss) used in the calculation of basic and diluted loss per share are as follows:

From continued operations	(2,524,151)	2,555,086
From discontinued operations	-	40,748

<b>Weighted average number of ordinary shares on issue during the period used in the calculation of basic EPS</b>	<b>512,099,007</b>	<b>421,293,051</b>
Adjustments for calculation of diluted EPS		
Options	60,240,335	42,858,373
Performance rights	9,000,000	1,000,000
Convertible notes	-	8,800,000
<b>Weighted average number of ordinary shares on issue during the period used in the calculation of diluted EPS</b>	<b>581,339,342</b>	<b>473,951,423</b>

<sup>1</sup> Potential ordinary shares in the form of share options and rights are not considered to be dilutive. As the Group made a loss for the prior period, diluted earnings per share is the same as basic earnings per share for that period.

## D - CAPITAL & RISK MANAGEMENT

The section below includes information regarding how the Group manages its capital assets including the positions at year end as well as outlining the risks arising from market, price, liquidity and credit exposures. Finally, the section covers how the Group manages its equity position and movements during the year.

**The section includes the following disclosures:**

**D1** Capital management (Page 54)

**D2** Financial risk management (Page 54)

**D3** Cash and cash equivalents (Page 59)

**D4** Digital assets (Page 60)

**D5** Investments (Page 61)

**D6** Finance Liabilities (Page 63)

## D1 - CAPITAL MANAGEMENT

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## D2 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Policy - Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. In adopting AASB 9, none of the recognition and measurement requirements have impacted the Group's opening retained earnings or balances and transactions presented as at 30 June 2018 or in the half-year comparative period ended 31 December 2017.

However, in adopting AASB 9 Financial Instruments, the Group's policies have changed to be brought in-line with that of the requirements of the standards.

### Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

### Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

### Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- financial assets at amortised cost;
- financial assets at fair value through profit or loss (FVPL);
- debt instruments at fair value through other comprehensive income (FVOCI); and
- equity instruments at fair value through other comprehensive income (FVOCI).

Classifications are determined by both:

- The entity's business model for managing the financial asset; and
- The contractual cash flow characteristics of the financial assets.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for the allowance for expected credit loss which is presented within other expenses.

### a) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

#### **b) Financial assets at fair value through profit or loss (FVPL)**

Financial assets that are held within a business model other than "hold to collect" or "hold to collect and sell" are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

#### **c) Debt instruments at fair value through other comprehensive income (Debt FVOCI)**

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at FVOCI.

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset. This category includes bonds that were previously classified as 'available-for-sale' under AASB 139.

#### **d) Equity instruments at fair value through other comprehensive income (Equity FVOCI)**

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under this category, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend income is taken to profit or loss unless the dividend clearly represents return of capital.

#### **Impairment of financial assets**

AASB 9's new impairment model use more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### **Trade and other receivables and contract assets**

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. The Group allows 1% for amounts that are 30 to 60 days past due, 1.5% for amounts that are between 60 and 90 days past due and impair any amounts that are more than 90 days past due.

### Financial assets at fair value through other comprehensive income

The Group recognises 12 months expected credit losses for financial assets at FVOCI. As most of these instruments have a high credit rating, the likelihood of default is deemed small. However, at each reporting date the Group assesses whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, the Group relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Group only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Group would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

In addition, the Group considers other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrowers operating results.

Should any of these indicators imply a significant increase in the instrument's credit risk, the Group recognises for this instrument or class of instruments the lifetime expected credit losses.

### Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

### Risk Management

The Group's activities expose it to a variety of financial risks including but not limited to:

- Foreign exchange risk;
- Liquidity risk;
- Interest rate risk;
- Credit risk; and
- Digital asset price risk.

The Group's and the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risks to which it is exposed. The method used is sensitivity analysis for each of foreign exchange risk, liquidity risk and interest rate risk.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

The Group holds the following financial assets and financial liabilities:

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
<b>Financial Assets</b>		
Cash and cash equivalents <sup>AC</sup>	5,160,689	5,772,287
Investments (Convertible Note Receivable) <sup>FV</sup>	195,651	-
Trade receivables <sup>AC</sup>	57,012	1,037,624
	<b>5,413,352</b>	<b>6,809,911</b>
<b>Financial liabilities</b>		
Trade and other payables <sup>AC</sup>	242,723	377,682
Interest bearing liabilities <sup>AC</sup>	-	281,446
	<b>242,723</b>	<b>659,128</b>

AC – Amortised Cost

FV – Fair value through profit or loss

#### Foreign exchange risk

The Group and the parent entity operate internationally, and during the period were exposed to foreign exchange risk arising from currency exposures, primarily with respect to the USD/AUD dollar rates.

Foreign exchange risks arise from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management regularly monitors exposure to foreign exchange risk, but do not have a current hedging policy in place. It is intended that this policy will be continuously assessed in line with funding requirements for each of the investment opportunities.

As of 30 June 2019, the Group had exposure to foreign currency risk within its recognised assets and liabilities. The cash and cash equivalents held \$AUD7,227,463 (2018: \$AUD7,556,476) in bank accounts. The Group has no derivative liabilities in \$AUD (2018: \$nil) and nil interest-bearing liabilities (2018: \$AUD440,000).

#### Group sensitivity – Foreign exchange risk

Based upon the financial instruments held as at 30 June 2019, had the Australian dollar weakened/strengthened 10% against the US dollar with all other variables held constant, the following impact on profit and or loss is noted:

	Fluctuation	
	+10% \$USD	-10% \$USD
Impact on profit of loss – 2019	(719,596)	719,596
Impact on profit or loss – 2018	(322,471)	322,471

#### Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group deposit funds at both short-term fixed and floating rates of interest.

The Group's exposure to interest rates on financial assets and liabilities is detailed in the liquidity risk management section of this note.

#### Interest rate sensitivity

A change in interest rates would not have a material impact on the profit and equity for the current and previous periods of the Group or the Parent entity.

#### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who oversee a liquidity risk management framework for the management of the Group's funding and liquidity management requirements.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring there are appropriate plans in place to finance these future cash flows.

	Weighted average effective interest rate %	Less than 1 month Interest bearing - variable \$USD	1 to 3 months Interest bearing - variable \$USD	More than 3 months Interest bearing liabilities \$USD	Less than 1 month Non-interest bearing \$USD	1 to 3 months Non-interest bearing \$USD	More than 3 months Non-interest bearing \$USD
<b>2019</b>							
Cash and cash equivalents	-	5,160,689	-	-	-	-	-
Convertible note	10	-	-	195,651	-	-	-
Other receivables	-	-	-	-	57,012	-	-
Other payables	-	-	-	-	(242,723)	-	-
<b>2018</b>							
Cash and cash equivalents	-	5,772,287	-	-	-	-	-
Other receivables	-	-	-	-	-	267,624	770,000
Other payables	-	-	-	-	(377,682)	-	-
Interest bearing liabilities	15	-	(281,446)	-	-	-	-

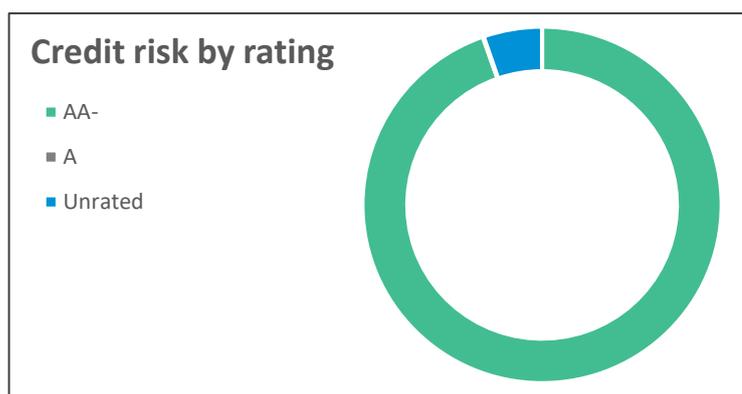
The liquidity and interest rate risk table above has been drawn up based on the undiscounted cash flow (including both interest and principal cash flows expected) using contractual maturities of financial assets and the earliest date on which the Group can be required to pay financial liabilities. Amounts for financial assets include interest earned on those assets except where it is anticipated cash will occur in a different period.

### Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Credit risk is managed on a group basis. For banks and financial institutions, the Group aims to hold deposit with independently rated parties with a rating of 'A' or above based on S&P ratings. From time to time the Group may hold deposits with unrated institutions (i.e. exchanges) after trading in digital assets. The Group's credit risk exposure is set out below

Due to the nature of the customers the Group engages with ratings are not commonplace. Credit risk is therefore factored into the transaction price for services often in the form of bonus tokens or a discount to public token sale rate. At 30 June 2019 no customers had a published credit rating.



Rating	\$USD
AA-	5,123,335
A	3,956
Unrated	286,060
<b>Total</b>	<b>5,413,351</b>

### Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

At 30 June 2019 all assets carried at fair value are deemed to be level 1 based on observable prices in an active market with the exception of the convertible note receivable of \$195,651 which is deemed to be level 2, further detail is disclosed below in Note D5 and unlisted Digital Assets disclosed in Note D4.

#### Fair value estimation

The Directors consider that the carrying amount of financial assets and financial liabilities, as recorded in the financial statements, represent or approximate their respective fair values.

### D3 CASH AND CASH EQUIVALENTS

#### Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, cash held with bitcoin exchanges, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Cash and cash equivalents do not include the Group's holdings of digital assets which are classified as inventory (refer to D4).

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Cash at bank	5,160,614	5,772,211
Cash deposits at call <sup>1</sup>	75	76
<b>Total cash and cash equivalents</b>	<b>5,160,689</b>	<b>5,772,287</b>

<sup>1</sup>Cash deposits at call include cash balances on exchanges. The balance originates following a liquidation of digital assets. Refer to Note D2 for information on liquidity and credit risk.

## D4 - DIGITAL ASSETS

### Digital Assets

Digital assets are assets such as Bitcoin and Ethereum, which use an open-source software-based online system where transactions are recorded in a public ledger (blockchain) using its own unit of account. The Group measures digital assets at its fair value less costs to sell, with any change in fair value less costs to sell being recognised in profit or loss in the period of the change. Amounts are derecognised when the Group has transferred substantially all the risks and rewards of ownership. As a result of the various blockchain protocols, costs to sell are immaterial in the current period and no allowance is made for such costs.

Digital assets are derecognised when the Group disposes of the inventory through its trading activities or when the Group otherwise loses control and, therefore, access to the economic benefits associated with ownership of the digital asset.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained below.

### Estimates & Judgements

#### (a) Digital assets

Management note that the topic of digital assets and the accounting for digital assets continues to be considered by the International Accounting Standards Board (IASB) and continues to monitor new comments and interpretations released by the Board and other standard setters from around the world.

In line with this, the Group has considered its position for the year ending 30 June 2019 and has determined that the Group's digital assets fall into 3 categories:

- Inventory method (historical method used by the Group)
- Intangible asset method (the method noted by the IASB in its most recent deliberations<sup>3</sup>)
- Financial asset method (used where the digital asset meets the criteria of a financial asset)

Management notes that under the 3 methods noted above, the treatment continues to be to measure digital assets at fair value (unless otherwise disclosed) under the respective accounting standards.

#### (b) Fair value of Digital Assets

Digital assets (including bitcoin inventory) is measured at fair value using the quoted price in United States dollars on from a number of different sources with the primary being Coin Market Cap ([www.coinmarketcap.com](http://www.coinmarketcap.com)) at closing Coordinated Universal Time. Management considers this fair value to be a Level 1 input under the AASB 13 *Fair Value Measurement* fair value hierarchy as the price on the quoted price (unadjusted) in an active market for identical assets.

Management uses a number of exchanges including Binance, KuCoin, Independent Reserve and others in order to provide the Group with appropriate size and liquidity to provide reliable evidence of fair value for the size and volume of transactions that are reasonably contemplated by the Group.

Unlisted digital assets are fair valued using a combination of Level 2 and Level 3 techniques.

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Bitcoin <sup>1</sup>	4,661,772	2,764,706
Other listed digital assets <sup>1,2</sup>	1,121,074	1,494,484
Non listed digital assets <sup>3</sup>	1,332,527	241,092
<b>Total Digital Assets</b>	<b>7,115,373</b>	<b>4,500,282</b>

<sup>1</sup> Digital assets were measured at fair value using at 30 June 2019. Refer to Note H4 for prices at the date of this report.

<sup>2</sup> Includes all tokens that are not bitcoin that are listed on an exchange. The amount includes \$USD891,907 held by the DigitalX Fund.

<sup>3</sup> Includes all tokens not listed on an exchange. The amount includes \$USD150,071 held by the DigitalX Fund.

<sup>3</sup> <https://www.ifrs.org/news-and-events/updates/ifric-updates/june-2019/#8>

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Inventory method	4,661,772	2,764,706
Intangible asset method	1,633,577	1,735,576
Financial asset method	820,024	-
<b>Total Digital Assets</b>	<b>7,115,373</b>	<b>4,500,282</b>

## D5 – INVESTMENTS

### Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

### Investments - Equity accounted joint venture

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Investment in Coincast - Equity accounted joint venture <sup>A</sup>	16,259	56,581
	<b>16,259</b>	<b>56,581</b>

### Investments

Investment in DigitalX Fund <sup>B/C</sup>	-	-
Investment in DX Americas LLC <sup>D</sup>	-	-
Investment in Futuredge Pty Ltd <sup>E</sup>	-	-
Investment in Bullion Asset Management Pte Ltd <sup>F</sup>	322,663	-
Convertible note receivable <sup>G</sup>	195,650	-
	<b>518,313</b>	<b>56,581</b>

**A. Investment in Digital Multiplier Pty Ltd (“Coincast”)**

During the prior period the Group entered into a 50:50 joint venture with Multiplier Pty Ltd by way of a \$USD19,437 (\$AUD25,000) investment to launch a new blockchain business news website and online blockchain education platform and television show. For the period ended 30 June 2019 the joint venture generated a loss of \$76,884 (2018: profit of \$USD74,288).

	30 June 2019 \$USD	30 June 2018 \$USD
Opening balance	56,581	-
Initial investment	-	19,437
DigitalX share of profit/(loss) – 50%	(38,442)	37,144
Foreign exchange movement	(1,880)	-
	<b>16,259</b>	<b>56,581</b>

**B. Investment in DigitalX Funds Management Pty Ltd**

On 16 February 2018, the Group incorporated a new subsidiary, DigitalX Funds Management Pty Ltd, to act as the fund manager for the DigitalX Fund and any future funds the Group may launch. The Group holds a 73% interest and has deemed it has control. The results for DigitalX Funds Management Pty Ltd are immaterial for the period.

**C. Investment in DigitalX Fund**

On 26 of April 2018, the Group provided seed capital to the DigitalX Fund (a unit trust) for the purpose of investing in and generating returns digital assets. At 30 June 2019, the Group has an interest in the fund of 43% (2018: 46%), however, as DigitalX also provides fund management services for the fund it is deemed that the Group meets the definition of control under *AASB10: Consolidated Financial Statements* and as a result, the fund has been included in the Group’s consolidated financial statements. The Group will continue to assess its position with respect to control of the fund at each reporting period.

The net asset value (NAV) of the Group’s units in the fund at 30 June 2019 is \$AUD 0.85 (2018: \$0.79).

**D. DX Americas LLC**

On the 23<sup>rd</sup> of November 2018, the Group [announced](#) a joint venture with US investment bank AmerX, DX Americas LLC with DigitalX’s ownership at 50%. The entity is an equity accounted joint venture, the results for the period are immaterial.

**E. Futureedge Capital Pty Ltd (Formerly FutureICO Pty Ltd)**

On the 18<sup>th</sup> of September 2018, the Group [announced](#) a joint venture, FutureICO (now Futureedge Capital) with DigitalX’s ownership at 44.9%. The entity is an equity accounted joint venture, the results for the period are immaterial.

**F. Investment in Bullion Asset Management Pte Ltd**

On 16<sup>th</sup> of April 2019, the Group [announced](#) its equity investment into Bullion Asset Management Pte Ltd, the management company for [xbullion](#) (gold backed stable coin project) for \$AUD450,000 and 9,411,764 DigitalX shares at an issue price of \$AUD0.085. The DigitalX shares have not yet been issued.

**G. Convertible note receivable**

During the period, the Group entered into a convertible note with YPB Systems Ltd (ASX:YPB) based on the terms and conditions in the [announcement](#).

- 3-year fixed term, repayable only at maturity, non-redeemable;
- Conversion at any time to ordinary equity at the lower of A\$0.018 or a 50% discount to the price at which YPB shares were subscribed for pursuant to the most recent capital raising of YPB preceding the date of conversion (not including the present equity placement), provided that the deemed price is no lower than \$0.009
- Free attaching unlisted option with an exercise price of \$0.025. Option expiry 18 months from the date of conversion of the convertible note to shares

At year end the Group valued the note at fair value using a weighted average of the fair value using the redemption method of the note and the fair value of holding the note to maturity. Under this methodology the fair value (level 2) of the note was deemed to be \$USD195,650. The key inputs were:

- Coupon rate – 10%
- Market interest rate – 8.8%
- Risk free rate – 0.96%
- Volatility – 130%
- Share price at valuation date - \$0.005
- Conversion price - \$0.009

## D6 – FINANCE LIABILITIES

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Convertible notes – debt-liability component	-	281,446
Convertible loan <sup>2</sup>	-	-
	-	<b>281,446</b>
Convertible Notes – derivative liability component	-	-
<b>Net carrying amount</b>	-	<b>281,446</b>

### Reconciliation

<b>Carrying amount at beginning of period</b>	<b>281,446</b>	<b>535,198</b>
Convertible note – debt liability component	-	360,459
Convertible note – transaction costs	-	(360,459)
Convertible note – derivative liability component	-	-
Fair value adjustment of derivative liability component	-	-
Amortisation of debt liability component	69,566	294,976
Convertible loan	-	-
Conversion of loans & notes	(351,012)	(548,728)
<b>Carrying amount at end of period</b>	-	<b>281,446</b>

## E - FINANCIAL POSITION

The section below includes information regarding the financial position of the Group (excluding non-operating assets & liabilities covered under Section C and Working Capital covered under Section D).

**The section includes the following disclosures:**

E1 Property, plant and equipment (Page 65)

E2 Non-current assets - Intangible assets (Page 66)

**E1 - PROPERTY, PLANT AND EQUIPMENT****Policy**

Plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Plant and equipment are depreciated or amortised on a reducing balance or straight-line basis at rates based upon their expected useful lives as follows:

- Computer equipment – 3 years
- Leasehold improvements – 5 years

Depreciation is recognised to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives. The estimated residual value of plant and equipment has been assessed to be zero. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with their carrying amount.

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessor*

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**Property Plant & Equipment**

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Cost	351,352	15,922
Accumulated depreciation	(53,862)	(15,420)
<b>Net Carrying amount</b>	<b>297,490</b>	<b>502</b>
<i>Reconciliation</i>		
Carrying amount at beginning of period	502	10,832
Additions	351,352	1,965
Disposals	(481)	-
Depreciation charge for the period	(53,883)	(12,295)
<b>Net carrying amount at end of period</b>	<b>297,490</b>	<b>502</b>

## E2 - NON-CURRENT ASSETS - INTANGIBLE ASSETS

### Internally generated intangible assets - Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

### Capitalisation of development costs

The Group has been engaged in the development of its mobile application remittance software, "AirPocket". The development activities are part of an internal project, with costs incurred both by an internal software development team and through the outsourcing of development activities to external contractors. The total cost capitalised on the project at 30 June 2019 is \$USD2,016,187.

An intangible asset arising from the development phase of an internal project shall be recognised if, and only if, an entity can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Company has evaluated the criteria required to be satisfied for an intangible asset arising from the development phase of an internal project to be recognised and conclude in respect to AirPocket that all conditions required to recognise an intangible asset generated from development of an internal project have been demonstrated.

The Company has evaluated the future economic benefit by modelling the expected future cash flows to estimate a value of the asset.

The Company has previously raised a \$USD2,016,188 impairment provision against the costs capitalised for its AirPocket intangible asset as a result of a lack of historical data with respect to the estimates used in determining the fair value of AirPocket. The provision is to be reassessed at the next reporting date with anticipation that more information will be available to assess the recoverable amount of the asset.

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
<i>Intellectual property</i>		
Cost	2,016,188	2,016,188
Accumulated amortisation	-	-
Provision for Impairment <sup>2</sup>	(2,016,188)	(1,966,669)
<b>Net Carrying amount</b>	<b>-</b>	<b>49,519</b>
<i>Reconciliation</i>		
Carrying amount at beginning of period	49,519	49,519
Additions	481	-
Write down of Intangible Assets	(50,000)	-
Provision of impairment of Intangible Assets	-	-
<b>Net carrying amount at end of period<sup>1</sup></b>	<b>-</b>	<b>49,519</b>

<sup>1</sup> Net of accumulated amortisation and provision for impairment

<sup>2</sup> The Group has raised a \$USD2,016,188 impairment provision against the costs capitalised for its AirPocket intangible asset. AirPocket's gross capitalised cost totals \$USD2,016,188. This provision was recorded in the prior period as a result of a lack of historical data with respect to the estimates used in determining the fair value of AirPocket. The provision is to be reassessed at the next reporting date with anticipation that more information will be available to assess the recoverable amount of the asset.

## F - EQUITY

The section below includes information regarding the Group's equity structure including movements in contributed equity from share transactions and movements in reserves.

**The section includes the following disclosures:**

**F1** Contributed Equity (Page 69)

**F2** Reserves & Non-Controlling Interest (Page 72)

## F1 – CONTRIBUTED EQUITY

## (a) Issued and paid up Capital

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
Fully paid ordinary shares – 571,525,427 (2018: 486,865,628)	33,662,319	30,431,588

## (b) Movement in Ordinary Share Capital

Date	Details <sup>1</sup>	Number of Shares	Issue Price A\$	\$USD <sup>2</sup>
<b>30-Jun-18</b>	<b>Closing Balance</b>	<b>486,865,628</b>		<b>30,431,588</b>
5-Jul-18	Vesting of Performance Rights	1,000,000	-	-
10-Jul-18	Share issue costs	-	-	(1,426)
7-Aug-18	Issue of Shares on exercise of options	3,086,420	0.0324	73,757
8-Aug-18	Share issue costs	-	-	(1,397)
18-Sep-18	Issue of shares on exercise of convertible notes	16,296,295	0.027	317,108
18-Sep-18	Issue of shares to employees	3,441,000	0.12	300,606
20-Sep-18	Share issue costs	-	-	(3,571)
8-Oct-18	Issue of Shares on exercise of options	100,000	0.0324	2,341
10-Oct-18	Share issue costs	-	-	(1,336)
13-May-19	Issue of Shares for settlement	1,895,453	0.0616	81,301
14-May-19	Share Issue costs			(1,368)
15-May-19	Issue of Shares under Share Purchase Plan	36,321,122	0.0677	1,701,610
16-May-19	Share Issue costs			(6,960)
17-May-19	Issue of Shares under top up placement	19,046,519	0.0677	887,500
17-May-19	Share Issue costs			(270,745)
21-May-19	Share Issue costs			(4,459)
27-May-19	Issue of Shares for settlement	1,576,568	0.0740	80,714
28-May-19	Share Issue costs			(1,368)
18-Jun-19	Issue of Shares for settlement	1,896,422	0.0615	79,796
24-Jun-19	Share Issue costs			(1,372)
<b>30-Jun-19</b>	<b>Closing Balance</b>	<b>571,525,427</b>		<b>33,662,319</b>

Date	Details <sup>1</sup>	Number of Shares	Issue Price \$AUD	\$USD <sup>2</sup>
30-Jun-17	Opening Balance	212,044,933	-	22,653,332
16-Aug-17	Issue of Shares to Leigh Travers - CEO and Managing Director	500,000	0.038	14,900
16-Aug-17	Share Issue costs	-	-	-1,456
31-Aug-17	Issue of Shares to Ironside Capital as consideration under the Capital raising services and mandate fees	7,772,745	0.041	253,176
31-Aug-17	Issue of Subscription shares	74,074,074	0.027	1,547,318
31-Aug-17	Share Issue costs	-	-	-298,888
31-Aug-17	Issue of Loan Conversion Shares	11,111,111	0.027	236,940
31-Aug-17	Shares Issued on conversion of Convertible Notes	9,629,629	0.027	204,119
1-Sep-17	Issue of Shares in part consideration for capital raising services	988,867	0.027	20,656
1-Sep-17	Issue of Subscription shares	25,370,003	0.027	529,949
1-Sep-17	Share Issue costs	-	-	-46,322
1-Sep-17	Shares Issued on conversion of Convertible Notes	8,888,889	0.027	188,418
1-Sep-17	Issue of Shares on exercise of Options	500,000	0.08	31,594
5-Sep-17	Shares Issued on conversion of Convertible Notes	7,407,407	0.027	157,015
5-Sep-17	Share Issue costs	-	-	-5,004
8-Sep-17	Issue of Subscription shares	32,804,142	0.027	685,239
8-Sep-17	Share Issue costs	-	-	-4,374
8-Sep-17	Issue of Shares on exercise of Incentive options	5,700,000	0.0324	292,037
8-Sep-17	Early conversion of convertible note	-	-	7,953
12-Sep-17	Shares Issued on conversion of Convertible Notes	370,370	0.027	7,851
12-Sep-17	Share Issue costs	-	-	-1,632
12-Sep-17	Issue of Shares on exercise of Incentive options	4,000,000	0.0324	103,766
14-Sep-17	Issue of Subscription shares	600,000	0.027	24,776
14-Sep-17	Share Issue costs	-	-	-12,496
14-Sep-17	Issue of Shares on exercise of Incentive options	600,000	0.0324	15,569
14-Sep-17	Early conversion of convertible note	-	-	13,433
22-Sep-17	Issue of Shares on exercise of Incentive options	1,000,000	0.0324	45,484
22-Sep-17	Issue of Shares on exercise of Incentive options	4,000,000	0.0324	103,696
22-Sep-17	Share Issue costs	-	-	-1,720
4-Oct-17	Issue of Shares on exercise of Incentive options	246,914	0.0324	20,233
4-Oct-17	Share Issue costs	-	-	-1,425
6-Oct-17	Issue of Shares to Director Faisal Khan	250,000	0.056	10,857
6-Oct-17	Share Issue costs	-	-	-1,430

9-Oct-17	Issue of Shares on exercise of Incentive options	917,284	0.0324	23,107
31-Oct-17	Issue of Shares on exercise of options	9,597,284	0.0324	549,422
3-Nov-17	Issue of Shares on exercise of options	3,725,000	0.08	225,621
3-Nov-17	Issue of Shares on exercise of options	620,000	0.0324	71,193
8-Nov-17	Issue of Shares on exercise of options	4,450,000	0.08	291,927
14-Nov-17	Issue of Shares on exercise of options	4,357,500	0.08	158,686
14-Nov-17	Issue of Shares on exercise of options	17,000,000	0.0324	232,166
14-Nov-17	Shares Issued on conversion of 10 Convertible Notes	3,703,704	0.027	29,316
17-Nov-17	Issue of Shares on exercise of options	405,000	0.08	25,700
17-Nov-17	Issue of Shares on exercise of Incentive options	11,308,519	0.0324	547,073
23-Nov-17	Issue of Shares to Directors	2,000,000	0.2	304,840
24-Nov-17	Issue of Shares on exercise of options	375,000	0.08	11,379
24-Nov-17	Issue of Shares on exercise of Incentive options	6,700,000	0.0324	244,958
24-Nov-17	Issue of Shares on exercise of Incentive options	2,000,000	0.0324	52,274
1-Dec-17	Issue of Shares on exercise of options	700,000	0.08	45,557
1-Dec-17	Issue of Shares on vesting of Tranche 3 of Performance Rights	1,000,000	0.215	162,626
12-Dec-17	Issue of Shares on exercise of options	160,000	0.08	10,375
12-Dec-17	Issue of Employee Incentive Shares	1,300,000	0.24	235,030
22-Dec-17	Issue of Shares on exercise of options	685,000	0.08	44,800
22-Dec-17	Share Issue costs	-	-	(1,615)
9-Jan-18	Issue of Shares on exercise of options	35,000	0.08	2,190
9-Jan-18	Issue of Shares on exercise of options	246,914	0.0324	6,256
19-Jan-18	Issue of Shares on exercise of options	4,220,000	0.08	269,307
25-Jan-18	Issue of Shares on exercise of options	595,000	0.08	37,971
25-Jan-18	Share Issue costs	-	-	(17,674)
2-Feb-18	Issue of Shares on exercise of options	215,000	0.08	13,578
16-Feb-18	Issue of Shares on exercise of options	517,500	0.08	32,683
1-Mar-18	Issue of Shares on exercise of options	1,000,000	-	-
14-Mar-18	Issue of Shares on exercise of options	246,914	0.0324	6,164
11-Apr-18	Issue of Shares on exercise of options	925,925	0.0324	23,114
<b>30-Jun-18</b>	<b>Closing Balance</b>	<b>486,865,628</b>		<b>30,431,588</b>

<sup>1</sup> Refer to the corresponding Appendix 3B for full details of each issue.

<sup>2</sup> Based on AUD/USD as at the date of transaction.

<sup>3</sup> Refer to Note H4 for any issues subsequent to the end of the reporting period.

**Rights Attaching to Shares**

The rights attaching to fully paid ordinary shares arise from a combination of the Company's constitution, statute and general law. Fully paid ordinary shares carry one vote per share and carry a right to dividend.

**Dividends**

There are no dividends paid or declared during the period.

**F2 – RESERVES & NON-CONTROLLING INTEREST****Nature of reserves & non-controlling interest**

Option premium and share-based payment reserve	Reserve is established to record balances pertaining to share options and performance rights granted for services provided to the Company by employees and vendors.
Convertible note reserve	Reserve is established to record amounts required to be recognised in equity for convertible notes that meet the definition of compound instruments.
Foreign Exchange Reserve	Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.
Non-controlling interest	This is used to record transactions with non-controlling interests that do not result in a loss of control.

	Note	Option premium and share-based payment reserve <sup>1</sup>	Convertible Note Reserve	Foreign Exchange Reserve	Non-Controlling Interest
<b>30 June 2018</b>		<b>785,240</b>	<b>62,680</b>	<b>(15,887)</b>	<b>514,600</b>
Share based payment expense		399,439	-	-	-
Share options issued <sup>2</sup>		116,081	-	-	-
Conversion of options & rights		-	-	-	-
Conversion of foreign operations		-	-	37,307	-
NCI share of profit or loss	P&L	-	-	-	46,548
NCI net units issued in Unit Trust <sup>3</sup>		-	-	-	49,843
NCI share in translation difference		-	-	-	(18,181)
<b>30 June 2019</b>		<b>1,300,760</b>	<b>62,680</b>	<b>21,420</b>	<b>592,810</b>

<sup>1</sup> Ordinary share issues treated as share-based payments that have no vesting conditions are recognised directly in equity.

<sup>2</sup> Options issued to advisor, recognised as share issue costs in the Consolidated Statement of Changes in Equity.

<sup>3</sup> Balance is the net amount inclusive of issues, redemptions and changes in interest in the DigitalX Fund.

	Note	Option premium and share-based payment reserve <sup>1</sup>	Convertible Note Reserve	Foreign Exchange Reserve	Non-Controlling Interest
<b>30 June 2017</b>		<b>396,194</b>	-	-	-
Share based payment expense		350,294	-	-	-
Share options issued		414,506	-	-	-
Conversion of options & rights		(375,754)	-	-	-
Equity portion of convertible note		-	78,465	-	-
Early conversion of convertible note		-	(15,785)	-	-
Conversion of foreign operations		-	-	(15,887)	-
NCI share of profit or loss	P&L	-	-	-	(152,613)
NCI units issued in Unit Trust	G2	-	-	-	653,887
NCI share in translation difference		-	-	-	13,326
<b>30 June 2018</b>		<b>785,240</b>	<b>62,680</b>	<b>(15,887)</b>	<b>514,600</b>

### Share based payments

Employees and consultants of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

#### Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions, for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

### Valuation of options and performance rights

The fair value of the share options and performance rights at grant date are determined using a binomial option pricing method that takes into account the exercise price, the term of the option, the probability of exercise, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The following tables list the inputs to the model used for valuation of the options:

#### Options issued to Directors

Item	Tranche 1	Tranche 2	Tranche 3
Volatility (%)	134.81%	134.81%	134.81%
Risk-free interest rate (%) – range	2.33%	2.33%	2.33%
Expected life of option (years)	5	5	5
Exercise price per terms & conditions	\$0.22	\$0.25	\$0.30
Underlying security spot price	\$0.06	\$0.06	\$0.06
Valuation date	22 Nov 2018	22 Nov 2018	22 Nov 2018
Expiry date	10 Dec 2023	10 Dec 2023	10 Dec 2023
Valuation per option	\$0.046	\$0.046	\$0.045

**Options issued to Advisors**

Item	
Volatility (%)	159.20%
Risk-free interest rate (%) – range	1.18%
Expected life of option (years)	3
Exercise price per terms & conditions	\$0.0847
Underlying security spot price	\$0.074
Valuation date	17 May 2019
Expiry date	16 May 2022
Valuation per option	\$0.061

**Valuation of performance rights**

The fair value of performance rights with market-based conditions at grant date are determined using a Monte-Carlo simulation method that takes into account the market conditions, the term of the vesting period, the share price at grant date and expected volatility of the underlying share across a number of simulations.

Item	Tranche 2	Tranche 3
Market based condition – Share price target over 5 days	\$0.25	\$0.30
Volatility (%)	134.81%	134.81%
Expected vesting period	5	5
Underlying security spot price	\$0.06	\$0.06
Valuation date	22 Nov 2018	22 Nov 2018
Expiry date	10 Dec 2023	10 Dec 2023
Valuation per right	\$0.04	\$0.04

Performance rights with non-market conditions are measured by reference to the share price at grant date \$0.06 and then adjusted for the probability of the number of instruments expected to vest.

30 June 2018	Date of Issuance - Inputs
<b>Item</b>	<b>14 Sep 2017</b>
Volatility (%) (see below)	119.96%
Risk-free interest rate (%) – range	1.78%
Expected life of option (years)	2
Exercise price per terms & conditions	\$0.0324
Underlying security spot price	\$0.074
Valuation date	14 Sep 2017
Expiry date	14 Sep 2019
Valuation per option	\$0.0561

**Valuation of options and performance rights on issue or owed as at 30 June 2019**

Details	Number	Issue Date	30 June 2019 \$USD
Share options	11,168,382	Nov 18 to May 19	578,871
Performance rights	9,000,000	10 Dec 2018	460,000
			<b>1,038,871</b>

## Valuation of options and performance rights on issue or owed as at 30 June 2018

Details	Number	Issue Date	30 June 2018 \$USD
Share options	15,840,000	14 Sep 2017	414,506
Performance rights	3,000,000	23 Nov 2017	231,836
			<b>646,342</b>

## G - GROUP STRUCTURE

The section below includes information regarding the Group organisational structure and information related to the parent entity as required by the Corporations Act 2001.

### G1 - PRINCIPLES OF CONSOLIDATION

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of DigitalX Limited (Company or Parent Entity) as at period end and the results of all subsidiaries for the period then ended. DigitalX Limited and its subsidiaries together are referred to as the Group or the Consolidated Entity.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### G2 - CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note G1. All controlled entities are included in the consolidated annual final report. The parent entity does not guarantee to pay the deficiency of its controlled entities in the event a winding up of any controlled entity. The period end of the controlled entities is the same as that of the parent entity, except for the US companies listed below which use 31 December year end.

Name of Controlled Entity	Place of Incorporation	% of Shares Held 2019	% of Shares Held 2018
Digital CC Management Pty Ltd	Australia	100%	100%
Digital CC Trading Pty Ltd	Australia	100%	100%
Digital CC IP Pty Ltd	Australia	100%	100%
Digital CC Limited	Hong Kong	100%	100%
Digital CC IP Limited	Hong Kong	100%	100%

Name of Controlled Entity	Place of Incorporation	% of Shares Held 2019	% of Shares Held 2018
Digital CC Holdings USA Inc	United States	100%	100%
Digital CC USA LLC	United States	100%	100%
Digital CC USA Services LLC	United States	100%	100%
Digital CC Ventures Pty Ltd	Australia	100%	100%
Pass Petroleum Pty Ltd	Australia	100%	100%
Airpocket International Pty Ltd	Australia	100%	100%
AirPocket LLC	United States	100%	100%
DigitalX Funds Management Pty Ltd	Australia	73%	73%
DigitalX Fund Unit Trust	Australia	43%	46%
DigitalX Asset Management Pty Ltd	Australia	100%	-
DigitalX New Tech Fund Inc.	Panama	100%	-
DigitalX (BVI) Limited	British Virgin Isles	100%	-
Digital Asset Administration Cayman Limited	British Virgin Isles	100%	-

#### Year ended 30 June 2019

There were no changes to the controlled entities during the year ended 30 June 2019 except for those noted below:

- DigitalX Asset Management Pty Ltd;
- DigitalX (BVI) Limited;
- Digital Asset Administration; and
- DigitalX New Tech Fund Inc.

All of the entities above were incorporated as part of the ongoing development and execution of the Group's asset management strategy. The results for the entities above are immaterial for the period.

#### Year ended 30 June 2018

There were no changes to the controlled entities during the year ended 30 June 2018 except for those noted below:

##### **Investment in DigitalX Funds Management Pty Ltd**

On 16 February 2018, the Group incorporated a new subsidiary, DigitalX Funds Management Pty Ltd, to act as the fund manager for the DigitalX Fund and any future funds the Group may launch. The Group holds a 73% interest and has deemed it has control. The results for DigitalX Funds Management Pty Ltd are immaterial for the period.

##### **Investment in DigitalX Fund (DigitalX Fund Unit Trust)**

On the 26 April 2018, the Group provided seed capital to the DigitalX Fund (a unit trust) for the purpose of investing in and generating returns digital assets. At 30 June 2018, the Group has an interest in the fund of 46%, however, as DigitalX also provides fund management services for the fund it is deemed that the Group meets the definition of control under *AASB10: Consolidated Financial Statements* and as a result, the fund has been included in the Group's consolidated financial statements. The Group will continue to assess its position with respect to control of the fund at each reporting period.

### G3 - PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Summary Note A for a summary of the significant accounting policies relating to the Group.

**Parent entity financial information**

The financial information for the parent entity, DigitalX Limited, disclosed below has been prepared on the same basis as the consolidated financial statements, except as set out below:

**Investments in subsidiaries, associates and joint venture entities**

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of DigitalX Limited.

**Financial guarantees**

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

**Tax consolidation legislation**

DigitalX Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, DigitalX Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, DigitalX Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate DigitalX Limited for any current tax payable assumed and are compensated by DigitalX Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to DigitalX Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial period. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

**(a) Summary of financial information**

	30 June 2019	30 June 2018
	\$USD	\$USD
<b>Financial position</b>		
Assets		
Current assets	10,836,041	7,599,816
Non-Current assets	15,817,255	4,637,480
<b>Total Assets</b>	<b>26,653,296</b>	<b>12,237,296</b>
<b>Liabilities</b>		
Current liabilities	(606,925)	(702,532)
Non-current liabilities	(745,997)	(715,889)
<b>Total liabilities</b>	<b>(1,352,922)</b>	<b>(1,418,421)</b>
<b>Equity</b>		
Contributed Equity	69,224,477	65,993,746
Retained earnings	(49,253,794)	(59,178,587)
Reserves		
- Share based payment	5,267,011	3,941,035
- Convertible note	62,680	62,680
<b>Total equity</b>	<b>25,300,374</b>	<b>10,818,875</b>
<b>Financial performance</b>		
Profit/(loss) for the year and other comprehensive income/(loss)	(1,449,920)	5,225,186
<b>Total comprehensive income/(loss)</b>	<b>(1,449,920)</b>	<b>5,225,186</b>

**(b) Commitments and Contingent Liabilities of the parent**

The parent entity did not have any contingent liabilities or commitments, as at 30 June 2019 other than those disclosed below in Note H2.

**(c) Guarantees entered into the parent entity**

There were no guarantees entered into by the parent entity other than those disclosed in Note H2.

## H - OTHER DISCLOSURES

The section below includes information regarding other disclosures relevant to users of the financial statement in understanding other transactions and the impact of future standards or events that may impact the Group.

The section includes the following disclosures:

H1 Related Party Transactions (Page 81)

H2 Commitments and contingents (Page 81)

H3 New Accounting Standards and Interpretations (Page 82)

H4 Events after reporting date (Page 86)

**H1 - RELATED PARTY TRANSACTIONS****(a) Subsidiaries**

Interests in subsidiaries are set out in Note G2. Balances and transaction between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

**(b) Transactions with Key Management Personnel**

	Year ended 30 June 2019 \$USD	Year ended 30 June 2018 \$USD
<b>Short term employee benefits</b>		
Salaries and fees	265,062	260,034
Director fees	101,003	105,780
Other benefits	34,520	88,082
<b>Post-Employment Benefits</b>		
<i>Superannuation</i>	17,681	25,964
<b>Share-based payments</b>		
Shares granted	43,680	423,165
Share, options and performance rights <sup>1</sup>	350,472	534,813
<b>Total Remuneration</b>	<b>812,419</b>	<b>1,437,838</b>

<sup>1</sup> Refer to Note F1 for details of the events relating to performance rights and options effecting key management personnel.

**(c) Transactions with Director related entities****Year ended 30 June 2019**

- During the year, the Group paid Steinepreis Paganin, a law firm of which former Non-Executive Director Toby Hicks is a partner, \$5,533 for legal services rendered on various matters. This amount relates to the period of the financial year that Mr Hicks was a Director of the Company. At 30 June 2019, Steinepreis Paganin is not considered a related party as Mr Hicks was not a Director at 30 June 2019.
- During the year, the Group recognised an expense and paid Blockchain Global Ltd, a company of which Messrs Rubinstein and Lee served as Directors of during the year, of \$1,211 for reimbursement of costs. The Company notes that both Mr Rubinstein and Mr Lee resigned as Directors of Blockchain Global during the year and the Company no longer considers Blockchain Global to be a related party on that basis. Messrs Rubinstein and Lee were appointed Directors of the Company as nominees of Blockchain Global Ltd.
- During the year, Mars Capital Australia Pty Ltd, a company controlled by Non-Executive Director Sam Lee, converted 14 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, to 5,185,185 ordinary shares. As part of the conversion 2,800,000 options exercisable at \$AUD0.0324 expiring 18 September 2020 were also issued. During the year, \$AUD5,236 of interest was paid, and recognised as an expense, on the convertible notes held. At 30 June 2019, no amounts were owed to Mars Capital.
- During the year, Irwin Biotech Nominees Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, converted 17 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, to 6,796,296 ordinary shares. As part of the conversion 3,400,000 options exercisable at \$AUD0.0324 expiring 18 September 2020 were also issued. During the year, \$AUD6,358 of interest was paid, and recognised as an expense on the convertible notes held. At 30 June 2019, no amounts were owed to Irwin Biotech.
- During the year, the Group paid Value Admin Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, \$USD50,509 as part of Non-Executive Director fees.

**Year ended 30 June 2018**

- During the financial year 2,546,000 unlisted options exercisable at \$AUD0.08, expiring on 30 June 2018, lapsed unexercised.
- During the year, the Group paid Steinepreis Paganin, a law firm of which former Non-Executive Director Toby Hicks is a partner, \$AUD116,607 for legal services rendered on various matters. At 30 June 2018, the Group owed \$AUD2,545 to Steinepreis Paganin.
- During the year, the Group recognised an expense and paid Blockchain Global Ltd, a company of which Mr Lee served as a Director of for the year, \$USD469,623 for services related to initial coin offerings. At 30 June 2018, no amounts were owed to Blockchain Global Ltd. Messrs Rubinstein and Lee were appointed Directors of the Company as nominees of Blockchain Global Ltd.
- During the year, Mars Capital Australia Pty Ltd, a company controlled by Non-Executive Director Sam Lee, was issued 14 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, as approved by Shareholders on 25 August 2017. Each convertible note was entitled to 100,000 incentive options, exercisable at \$AUD0.0324 and expiring 8 September 2019. During the year, \$AUD11,737 of interest was paid, and recognised as an expense, on the convertible notes held. At 30 June 2018, the Group owed \$AUD5,236 to Mars Capital Australia Pty Ltd for unpaid interest.
- During the year, Irwin Biotech Nominees Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, was issued 17 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, as approved by Shareholders on 25 August 2017. Each convertible note was entitled to 100,000 incentive options, exercisable at AUD0.0324. During the year, \$AUD16,422 of interest was paid, and recognised as an expense on the convertible notes held. At 30 June 2018, the Group owed \$AUD6,357 to Irwin Biotech for unpaid interest.
- During the year, Rip Opportunities Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, was issued 10 convertible notes, with a face value of \$AUD10,000 each, convertible at \$AUD0.027 each, as approved by Shareholders on 25 August 2017. Each convertible note was entitled to 100,000 incentive options, exercisable at \$AUD0.0324 and expiring 14 September 2019. Convertible notes have been converted during the year. During the year, \$AUD2,589 of interest was paid on the convertible notes held. At 30 June 2018, no amounts were owed to Rip Opportunities Pty Ltd as the notes have been converted during the year.
- During the year, the Group paid Value Admin Pty Ltd, a company controlled by Non-Executive Chairman Peter Rubinstein, \$USD22,231 as part of non-executive director fees.

**H2 – COMMITMENTS AND CONTINGENCIES****Commitments of the Group**

During the year entered into a 5-year lease for premises at 66 Kings Park Road, West Perth, WA (“The Blockchain Centre”). At 30 June the amount due within 12 months was \$132,655 and the committed between 12 months and 5 years was \$411,894. There were no commitments greater than 5 years.

The Group did not have any commitments (other than those set out in note D2 & D5) and above, as at 30 June 2019 (2018: Nil).

**Guarantees entered into by the Group**

There were no guarantees entered into by the Group as at 30 June 2019 other than for the lease noted above (2018: Nil).

**Contingent Liabilities of the Group**

The Group did not have any contingent liabilities as at 30 June 2019 (2018: \$1,833,077)

**H3 - NEW ACCOUNTING STANDARDS AND INTERPRETATIONS****Standards and Interpretations in issue not yet adopted**

The following table lists Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective and have not been early adopted by the Company for the reporting period ended 30 June 2018. These particular standards are considered relevant to the entity based on the balances and transactions presented within these financial statements.

Management are in the process of determining the potential impact of the initial application of the Standards and Interpretations. These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

New / revised pronouncement	Superseded pronouncement	Nature of the change	Effective date	Likely impact on initial application
<b>AASB 16 Leases</b>	<p>AASB 117 <i>Leases</i></p> <p>Int. 4 <i>Determining whether an Arrangement contains a Lease</i></p> <p>Int. 115 <i>Operating Leases—Lease Incentives</i></p> <p>Int. 127 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i></p>	<p>AASB 16:</p> <ul style="list-style-type: none"> <li>replaces AASB 117 <i>Leases</i> and some lease-related Interpretations</li> <li>requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases</li> <li>provides new guidance on the application of the definition of lease and on sale and lease back accounting</li> <li>largely retains the existing lessor accounting requirements in AASB 117 requires new and different disclosures about leases</li> </ul>	1 January 2019	<p>Based on the entity's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements, in particular:</p> <ul style="list-style-type: none"> <li>lease assets and financial liabilities on the balance sheet will increase by \$437,474 and \$460,120 respectively (based on the facts at the date of the assessment) with the difference recognised in opening retained earnings</li> <li>the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities</li> <li>EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off-balance sheet leases will be presented as part of finance costs rather than being included in operating expenses</li> <li>operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities</li> </ul>
<b>AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</b>	None	<p>The amendments address a current inconsistency between AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i>.</p> <p>The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 <i>Business Combinations</i>. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable</p>	1 January 2022	When these amendments are first adopted for the year ending 30 June 2023, there will be no material impact on the financial statements.

		<p>to other investors' interests is recognised when the assets or subsidiary do not constitute a business.</p> <p>This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128.</p> <p>*The mandatory effective date of AASB 2014-10 has been deferred to 1 January 2022 by AASB 2017-5.</p>		
<b>AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments</b>	None	AASB 2017-4 amends AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> to add paragraphs arising from AASB Interpretation 23 <i>Uncertainty over Income Tax Treatments</i> .	1 January 2019	When these amendments are first adopted for the year ending 30 June 2020, there will be no material impact on the financial statements.
<b>AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation</b>	None	AASB 2017-6 amends AASB 9 <i>Financial Instruments</i> (2014) to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature. This is subject to meeting other conditions, such as the nature of the business model relevant to the financial asset. Otherwise, the financial assets would be measured at fair value through profit or loss.	1 January 2019	When these amendments are first adopted for the year ending 30 June 2020, there will be no material impact on the financial statements.
<b>AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures</b>	None	AASB 2017-7 amends AASB 128 <i>Investments in Associates and Joint Ventures</i> to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 <i>Financial Instruments</i> before applying the loss allocation and impairment requirements in AASB 128.	1 January 2019	When these amendments are first adopted for the year ending 30 June 2020, there will be no material impact on the financial statements.
<b>AASB 2018-1 Annual Improvements to IFRS Standards 2015–2017 Cycle</b>	None	AASB 2018-1 makes a number of relatively minor amendments to AASB 3 <i>Business Combinations</i> , AASB 111 <i>Joint Arrangements</i> , AASB 112 <i>Income Taxes</i> and AASB 123 <i>Borrowing Costs</i> .	1 January 2019	When this interpretation is adopted for the year ending 30 June 2020, there will be no material impact on the financial statements.
<b>AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business</b>	None	<p>AASB 2018-6 amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments:</p> <ul style="list-style-type: none"> <li>clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a</li> </ul>	1 January 2020	When these amendments are first adopted for the year ending 30 June 2021, there will be no material impact on the financial statements.

		<p>substantive process that together significantly contribute to the ability to create outputs;</p> <ul style="list-style-type: none"> <li>remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;</li> <li>add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;</li> <li>narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and</li> </ul> <p>add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.</p>		
<b>AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material</b>	None	<p>AASB 2018-7 principally amends AASB 101 and AASB 108. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across the Australian Accounting Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.</p>	1 January 2020	When these amendments are first adopted for the year ending 30 June 2021, there will be no material impact on the financial statements.
<b>AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework</b>	None	<p>AASB 2019-1 amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the revised <i>Conceptual Framework for Financial Reporting (Conceptual Framework)</i>.</p> <p>The application of <i>Conceptual Framework</i> is limited to</p> <ul style="list-style-type: none"> <li>For profit entities that have public accountability</li> </ul> <p>Other for-profit entities that voluntarily elect to apply the <i>Conceptual Framework</i></p>	1 January 2020	When these amendments are first adopted for the year ending 30 June 2021, there will be no material impact on the financial statements.
<b>Interpretation 23 Uncertainty Over Income Tax Treatments</b>	None	<p>Interpretation 23 clarifies how the recognition and measurement requirements of AASB 112 <i>Income Taxes</i> are applied where there is uncertainty over income tax treatments.</p>	1 January 2019	When this Interpretation is first adopted for the year ending 30 June 2020, there will be no material impact on the transactions and balances recognised in the financial statements.
<b>AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</b>	None	<p>The amendments address a current inconsistency between AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i>.</p> <p>The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 <i>Business Combinations</i>. Full gain or loss is recognised when the assets</p>	1 January 2022*	When these amendments are first adopted for the year ending 30 June 2023, there will be no material impact on the financial statements.

or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128.

\*The mandatory effective date of AASB 2014-10 has been deferred to 1 January 2022 by AASB 2017-5.

#### H4 - EVENTS AFTER THE REPORTING DATE

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected the group's operations, results or state of affairs, or may do so in future years other than those set out below.

Date of event	Details of event																				
1 July 2019	On 1 July 2019, 24,691,358 shares were issued at a price of \$AUD0.0324 on conversion of 24,691,358 options.																				
4 July 2019	On 4 July 2019, Mr Stephen Roberts resigned as a Director of the Company.																				
8 July 2019	On 8 July 2019, Mr Sam Lee resigned as a Director of the Company.																				
11 July 2019	<p>On 11 July 2019, Mr Toby Hicks was appointed as a Director and Non-Executive Chairman of the Company.</p> <p>As part of his appointment to the Board, Mr Hicks (or his nominee) was issued with 7.5 million performance rights, automatically capable of conversion on the Company's shares trading on ASX achieving a volume weighted average trading price of not less than \$0.09 for not less than 15 consecutive trading days within three years from the date of issue, and 2.5 million options exercisable at \$0.10 on or before 30 June 2024 (Incentive Securities). Mr Hicks' Incentive Securities were issued on 11 July 2019 under the Company's available annual placement capacity under ASX Listing Rule 7.1.</p>																				
5 September 2019	<p>On 5 September 2019, the Company announced noted it would seek to wind up the Futuredge Capital Joint Venture (Formerly FutureICO Pty Ltd) and had terminated its Coincast Media joint venture.</p> <p><a href="#">Refer to the full announcement.</a></p>																				
28 September 2019	<p>On 28 September 2019, the Group became aware that a small Chinese based exchange, Coin Tiger, had listed Bankorus (BKTS) tokens for trading. There was no announcement or marketing from the Company indicating that a listing was pending. On review, the Group notes that the trading volumes since listing have been low but considers that it may be indicative of an active market. At the time of the report the price per token was \$0.008 on 24-hour trading volume of \$USDT690.</p> <p>At 30 June 2019, the Group holds Bankorus Tokens at 30 June 2019 totalling \$770,000 (\$0.93 per token), this balance may be impaired if the exchange listing is determined to legitimate and an active market exists.</p>																				
30 September 2019	<p>Due to the volatile nature and the materiality of the digital assets held, we disclose the value of digital assets held by the Group, excluding the DigitalX Fund and unlisted digital assets, as at the close date of the 29 September 2019.</p> <table border="1"> <thead> <tr> <th>Coin Symbol</th> <th>Coin Amount</th> <th>\$USD Spot Price at 30 June</th> <th>\$USD Spot Price at 29 Sept</th> <th>\$USD Balance</th> </tr> </thead> <tbody> <tr> <td>BTC</td> <td>431</td> <td>\$10,817.16</td> <td>\$8,104.19</td> <td>\$3,492,905</td> </tr> <tr> <td>Altcoins</td> <td>-</td> <td>-</td> <td>-</td> <td>\$31,842</td> </tr> <tr> <td><b>Total</b></td> <td>-</td> <td>-</td> <td>-</td> <td><b>\$3,524,747</b></td> </tr> </tbody> </table>	Coin Symbol	Coin Amount	\$USD Spot Price at 30 June	\$USD Spot Price at 29 Sept	\$USD Balance	BTC	431	\$10,817.16	\$8,104.19	\$3,492,905	Altcoins	-	-	-	\$31,842	<b>Total</b>	-	-	-	<b>\$3,524,747</b>
Coin Symbol	Coin Amount	\$USD Spot Price at 30 June	\$USD Spot Price at 29 Sept	\$USD Balance																	
BTC	431	\$10,817.16	\$8,104.19	\$3,492,905																	
Altcoins	-	-	-	\$31,842																	
<b>Total</b>	-	-	-	<b>\$3,524,747</b>																	

There were no other reportable subsequent events.

## CORPORATE DIRECTORY

### Directors

Toby Hicks  
*Non-Executive Chairman*

Leigh Travers  
*Executive Director*

Peter Rubinstein  
*Non-Executive Director*

### Company Secretary

Shannon Coates

### ABN

59 009 575 035

### Registered Office and Principal Place of Business

Suite 1, Level 2,  
66 Kings Park Road  
West Perth WA 6005  
Tel: +61 (8) 9322 1587

### Auditor

Grant Thornton Audit Pty Ltd  
Level 43, 152-158 St Georges Terrace  
PERTH WA 6000  
Tel: +61 (8) 9480 2000  
Fax +61 (8) 9322 7787

### Stock Exchange Listing

DigitalX Limited shares are listed on the Australian Securities Exchange (ASX Code: DCC)

### Share Registry

Computershare Investor Services Pty Limited  
Level 11, 172 St Georges Terrace  
Perth WA 6000

GPO Box D182  
Perth WA 6840

Telephone: +61 (8) 9323 2000  
Facsimile: +61 (8) 9323 2096  
Email: [perth.services@computershare.com.au](mailto:perth.services@computershare.com.au)

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

## AUSTRALIAN SECURITIES EXCHANGE INFORMATION

The following information is current as at 17 September 2019.

### EXCHANGE LISTING

DigitalX Limited shares are listed on the Australian Securities Exchange. The Company's ASX code is DCC.

### DISTRIBUTION OF SHAREHOLDERS

The number of shareholders, by size of holding, are:

Range	Number of Holders	Number of Shares
1–1,000	186	41,226
1,001–5,000	3,207	9,477,282
5,001–10,000	1,632	13,236,133
10,001–100,000	3,446	121,367,596
100,001 and over	720	452,094,548
<b>Total</b>	<b>9,191</b>	<b>596,216,785</b>

### UNMARKETABLE PARCELS

Holdings of less than a marketable parcel of ordinary shares:

Holders: 5,825

Shares: 15,625

### UNQUOTED SECURITIES

For each class of unquoted securities, if a person holds 20% or more of the securities in a class, the name of the holder and number of securities held is disclosed.

### UNLISTED OPTIONS AND PERFORMANCE RIGHTS

#### Unlisted Options exercisable at \$0.0324 each on or before 1 September 2020

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	6 <sup>1-4</sup>	6,172,840
<b>Total</b>	<b>6</b>	<b>6,172,840</b>

<sup>1</sup> Ozstudy Group Pty Ltd holds 1,234,568 options comprising 20% of this class.

<sup>2</sup> Tirelem Pty Ltd <The Tirelem Super Fund A/C> holds 1,234,568 options comprising 20% of this class.

<sup>3</sup> WHW Investments Pty Ltd <WHW A/C> holds 1,234,568 options comprising 20% of this class.

<sup>4</sup> YMG International Group Pty Ltd <YMG International Family A/C> holds 1,234,568 options comprising 20% of this class.

#### Unlisted Options exercisable at \$0.0324 each on or before 8 September 2020

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	1	63,310
100,001 and over	4 <sup>1-3</sup>	6,044,445
<b>Total</b>	<b>5</b>	<b>6,107,755</b>

<sup>1</sup> ACL Investment Australia Pty Ltd <ACL Family A/C> holds 1,327,160 Options comprising 21.73% of this class.

<sup>2</sup> JGM Investment Group Pty Ltd <The Muchnicki Family A/C> holds 2,279,013 Options comprising 37.31% of this class.

<sup>3</sup> Mr Zijing Xu holds 1,234,568 Options comprising 20.21% of this class.

## Unlisted Options exercisable at \$0.0324 each on or before 18 September 2020.

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	3 <sup>1-3</sup>	8,800,000
<b>Total</b>	<b>3</b>	<b>8,800,000</b>

<sup>1</sup> ACL Investment Australia Pty Ltd <ACL Family A/C> holds 2,600,000 Options comprising 29.55% of this class.

<sup>2</sup> Irwin Biotech Nominees Pty Ltd holds 3,400,000 Options comprising 38.64% of this class.

<sup>3</sup> Mars Capital Australia Pty Ltd <Mars Family A/C> holds 2,800,000 Options comprising 31.82% of this class.

## Unlisted Options exercisable at \$0.087 each on or before 17 May 2022.

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	1	2,768,382
<b>Total</b>	<b>1</b>	<b>2,768,382</b>

Melshare Nominees Pty Ltd holds 2,768,382,000 comprising 100% of this class.

## Unlisted Options exercisable at \$0.0324 each on or before 18 September 2020.

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	3 <sup>1-3</sup>	8,800,000
<b>Total</b>	<b>3</b>	<b>8,800,000</b>

<sup>1</sup> ACL Investment Australia Pty Ltd <ACL Family A/C> holds 2,600,000 Options comprising 29.55% of this class.

<sup>2</sup> Irwin Biotech Nominees Pty Ltd holds 3,400,000 Options comprising 38.64% of this class.

<sup>3</sup> Mars Capital Australia Pty Ltd <Mars Family A/C> holds 2,800,000 Options comprising 31.82% of this class.

## Unlisted Options exercisable at \$0.22 each on or before 10 December 2023

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	2 <sup>1-2</sup>	2,000,000
<b>Total</b>	<b>2</b>	<b>2,000,000</b>

<sup>1</sup> Irwin Biotech Nominees Pty Ltd holds 1,000,000 Options comprising 50% of this class.

<sup>2</sup> Blockchain Global Ltd holds 1,000,000 Options comprising 50% of this class.

## Unlisted Options exercisable at \$0.25 each on or before 10 December 2023

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	2 <sup>1-2</sup>	3,000,000
<b>Total</b>	<b>2</b>	<b>2,000,000</b>

<sup>1</sup> Irwin Biotech Nominees Pty Ltd holds 1,500,000 Options comprising 50% of this class.

<sup>2</sup> Blockchain Global Ltd holds 1,500,000 Options comprising 50% of this class.

## Unlisted Options exercisable at \$0.30 each on or before 10 December 2023

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	2 <sup>1-2</sup>	4,000,000
<b>Total</b>	<b>2</b>	<b>4,000,000</b>

<sup>1</sup> Irwin Biotech Nominees Pty Ltd holds 2,000,000 Options comprising 50% of this class.

<sup>2</sup> Blockchain Global Ltd holds 2,000,000 Options comprising 50% of this class.

## Unlisted Options exercisable at \$0.10 each on or before 30 June 2024

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	1	2,500,000
<b>Total</b>	<b>1</b>	<b>2,500,000</b>

## Performance rights expiring 11 July 2022

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	1	7,500,000
<b>Total</b>	<b>1</b>	<b>7,500,000</b>

## Performance rights expiring 10 December 2023

Range	Number of Holders	Number of Options
1–1,000	-	-
1,001–5,000	-	-
5,001–10,000	-	-
10,001–100,000	-	-
100,001 and over	1	9,000,000
<b>Total</b>	<b>1</b>	<b>9,000,000</b>

## LISTING OF 20 LARGEST SHAREHOLDERS

The names of the twenty largest registered holders of quoted ordinary shares are:

Name	Number of Shares	Percentage of Shares
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	37,007,802	6.21
CITICORP NOMINEES PTY LIMITED	21,158,672	3.55
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	15,553,702	2.61
NRB INTERNATIONAL LLC	14,973,785	2.51
ONE CC PTY LTD <EXCEL FUND A/C>	10,500,000	1.76
MARS CAPITAL AUSTRALIA PTY LTD <MARS FAMILY A/C>	10,096,296	1.69
BLOCKCHAIN GLOBAL LIMITED	8,843,734	1.48
ACL INVESTMENT AUSTRALIA PTY LTD <ACL FAMILY A/C>	8,696,295	1.46
IRWIN BIOTECH NOMINEES PTY LTD	7,796,296	1.31
VALUE ADMIN.COM PTY LTD	7,200,000	1.21
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,871,061	0.98
IRWIN BIOTECH NOMINEES PTY LTD <BIOA A/C>	5,470,000	0.92
MR TE-CHIHTERRY CHEN	5,144,022	0.86
MR NICK KAROPOULOS	5,000,000	0.84
MR NEEL KRISHNAN	4,857,500	0.81
MR COREY PINCHAS SILVER	4,830,653	0.81
MR ADAM MICHAEL BIANCO	4,418,023	0.74
JINARK PTY LTD <JINARK FAMILY A/C>	4,300,000	0.72
MRS LISA JANINE DE MEIO	4,042,000	0.68
BELTAPE PTY LTD <IVOR DAVID EXECUTIVE SF A/C>	4,000,000	0.67
MR MARK DANIEL NEEDHAM + MRS PIENGJAI NEEDHAM	4,000,000	0.67
<b>TOTAL</b>	<b>193,759,841</b>	<b>32.50</b>

## SUSTANTIAL SHAREHOLDERS (HOLDING 5% OR MORE)

There were no substantial shareholders holding 5% or more of the voting shares in the Company as at 17 September 2019.

## VOTING RIGHTS

All ordinary shares carry one vote per share without restriction. No voting rights are attached to Options.

## ON MARKET BUY BACK

There is no current on-market buy-back.

## CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement for the 2019 financial year can be accessed at:

<https://digitalx.com/corporate-governance/>

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