

**4E PRELIMINARY FINAL REPORT
DIGITALX LIMITED**

DIRECTORS' REPORT

The Company's 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 2023. Information contained within this report and the financial report is presented in Australian Dollars (\$AUD).

Directors

The following persons were Directors of DigitalX during the financial year and up to the date of this report, unless stated otherwise:

Mr Toby Hicks Non-Executive Chairman	Experience Mr Hicks is a Partner of Steinepreis Paganin Lawyers & Consultants with over 20 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.
Term of Appointment Appointed 10 July 2019	
Status Independent Non-Executive	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.
Current Directorships None	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).
Previous Directorships of Listed Entities within past 3 years None	Interests in securities held as at the date of the report <ul style="list-style-type: none">• 8,350,792 fully paid ordinary shares; and• 2,500,000 unlisted options exercisable at \$0.10 each expiring on 30 June 2024.
Mr Peter Rubinstein Non-Executive Director	Experience 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.
Term of Appointment Appointed 15 September 2017	Mr Rubinstein has had significant exposure to the creation, launch and management of a diverse range of technology companies including: biotech, digital payments and renewable energy.
Status Independent Non-Executive	Mr Rubinstein is also Chairman of EasyPark ANZ - an early adopter of the "Smart City" opportunities for digital parking, which recently launched in the city of Perth. He is also Chairman of Genetic Technologies Limited - a world leader in Genomics for assessment of risk of serious disease.
Current Directorships Genetic Technologies Limited <i>Since 31 January 2018</i>	Interests in securities held as at the date of the report <ul style="list-style-type: none">• 36,334,372 fully paid ordinary shares;• 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 Greg Dooley Non-Executive Director	Experience Mr Dooley is an experienced corporate executive and was formerly the Managing Director of

Term of Appointment
Appointed 3 August 2021

Status
Independent
Non-Executive

Current Directorships
None

Previous Directorships of Listed Entities within past 3 years
None

leading international share registry company, Computershare Investor Services Pty Limited for 13 years before retiring in July 2020. During his time at Computershare Mr Dooley also served as Managing Director of the Computershare Fund Services division, which offered registry services for unlisted funds.

Mr Dooley holds a Bachelor of Economics from Macquarie University, a Diploma of Applied Finance and Investment and has completed the Australia Institute of Company Directors' Company Directors course.

Interests in securities held as at the date of the report

- 171,428 fully paid ordinary shares; and
- 2,500,000 unlisted options exercisable at \$0.10 each expiring on 30 June 2024.

Company Secretary

Mr Joel Ives is an experienced Chartered Accountant (CAANZ) who provides CFO, Accounting and Company Secretarial services for ASX-listed and private companies across various industries.

Mr Ives currently acts as Company Secretary to Kuniko Limited (ASX:KNI), Green Technology Metals Limited (ASX:GT1), and Joint Company Secretary of OD6 Metals Limited (ASX:OD6) and OliveX Holdings Limited (NSX:OLX).

Mr Ives was appointed on 6 August 2021.

HIGHLIGHTS

DigitalX continued to progress its business strategy of growing its revenue through:

- its Sell My Shares (SMS) business;
- management and performance fees from its funds management division; and
- developing applications utilising Distributed Ledger Technology (DLT).

These business operations give the Company a presence in both the financial and technology aspects of the Bitcoin and Blockchain ecosystem. The Company has a unique skill set and experience within the industry and seeks to provide investors with exposure to these markets.

The highlights for the year ended 30 June 2023 included:

Sell My Shares (SMS)

- Three consecutive record-breaking quarters for SMS revenue, with annual revenue up 10% vs the previous year
- Strong execution and successful delivery of the four key strategic initiatives that formed part of SMS' strategic roadmap to deliver revenue uplift. The execution of these four initiatives contributed a total of 29% to annual revenue
- Launch of the new T-Zero initiative, which has contributed over \$100,000 to revenue
- Partnership with Automic to provide one-off share sale facilities to Automic clients, leading to a new revenue generation pipeline for Sell My Shares

Funds

- DigitalX Bitcoin Fund increased 56.0% and the DigitalX Fund rose 45.3% over the year
- Launch of DigitalX Asset Reference Token (DxART) Fund, an Australian-first funds management product offering exposure to real-world assets through digital tokens
 - The "HxART" housing pool is the first investment pool to be included in the fund. The pool consists of tokens that represent a selection of fractionalised, co-owned Australian property as part of a "deposit gap" equity funding arrangement with property technology company, Bricklet
- Commenced execution of distribution and channel development strategy

Product

- Launched Australian-domiciled Ethereum validator nodes generating staking revenue from Company treasury assets
- Built and tested Company's first on-chain prototype for tokenised real-world asset investment pools (TOK proof of concept), proving out key Ethereum technology innovations and standards subsequently incorporated into the DxART fund
- Identified and began testing ideas for digital distribution channels and models for the Funds business
- Pursued growth plans for Drawbridge securities trading approval app, showcasing the product at the Governance Institute national conference
- Launched enhanced functionality for Deceased Estate share sales and integration to Automic

Partnerships

- **Blockfold/Fireblocks:** Engaged BlockFold and Fireblocks to build the core technology that will securely bridge the gap between the real-world and digital assets, starting with the tokenisation of residential property
- **Bricklet:** Progress made into real-world asset tokenisation, including:
 - Signing of "deposit gap" equity funding agreement with property technology company, Bricklet; and
 - Funded three residential properties through the Bricklet partnership
- **Digital Finance CRC:** Progressed work with the Digital Finance CRC and partnered with CANVAS on a use case for central bank digital currency with the Reserve Bank of Australia

- **Synfini:** Launched a proof of concept to tokenise units in a managed fund with the ASX on their Synfini Distributed Ledger Technology (DLT) platform

Governance

- Recognising the importance of a strong risk and governance culture, the board established a Board Risk Committee in August 2022. The committee meets on a quarterly basis.
- Over the past two years, and in partnership with Socialsuite, the Company has integrated the World Economic Forum (WEF) ESG Framework into its operations and has successfully implemented impact measurement strategies across various dimensions of sustainability. These dimensions include governance, anti-corruption measures, ethical conduct, human rights, carbon emissions, ecological sensitivity, water stewardship, diversity and inclusivity, fair remuneration, and responsible tax contributions
- Carbon innovation: The Company incurred investing expenditure for the purchase of A\$10,000 Betacarbon tokenised carbon credit tokens using XAUD stablecoin. The credits are stored in Fireblocks and can be either retired or divested if the company reaches net zero.

OPERATING & FINANCIAL REVIEW

DigitalX’s continued focus is on growing revenues through its existing business units, reducing costs and operating inefficiencies and driving returns for its shareholders.

Principal activities

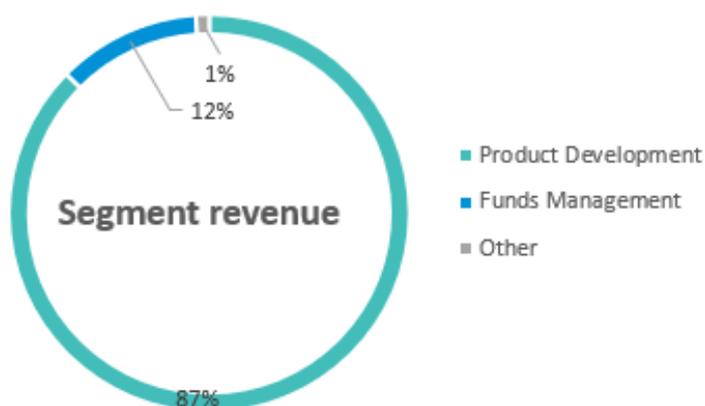
During the financial year, the principal activities of the Group consisted of:

- Share sales via the Sell My Shares division
- Blockchain product development; and
- Funds under management.

Operating results

For the year ended 30 June 2023, the consolidated loss attributable to members of the consolidated entity after providing for income tax amounted to AUD\$7,584,749 (2022: loss of AUD\$2,839,468).

Total comprehensive loss of AUD\$3,415,538 (2022: Comprehensive loss of AUD\$15,734,861), primarily attributable to a decrease in the value of the consolidated entity’s investment in xbullion, as operations of that business are scaled (refer to BAM and xbullion commentary below). Increased operating costs were experienced as a result of proactive investment in key staffing, which have temporarily contributed to the loss, in addition to heightened focus on regulatory, licensing and compliance expenditure underscoring the Company’s dedication to bolstering stringent controls, which is crucial in the digital asset sector.



Whilst the Group notes a 2% decrease in revenue on the previous corresponding period (PCP), revenue generated from the Sell My Shares Business continues to grow generating \$1,981,551 for the year, an increase of 45% on PCP. The decline in revenues is in line with expectations, driven by performance fees earned or paid during the period and a decrease in Management Fees from the Funds management business. This reduction can be attributed to the volatility in the digital asset market.

The consolidated entity had net assets of AUD\$23,937,582 (30 June 2022: net assets of AUD\$27,083,463).

The decrease in assets for the period is primarily attributable to a decrease in the value of the consolidated entity’s investments due to a fair value adjustment of the holding in Bullion Asset Management and a decrease in value and subsequent sale of the holding in the Human Protocol Tokens in October 2022, as well as the sale of other digital assets to fund the Company’s cash flow.

Despite volatility in the digital asset markets, the balance sheet remains strong heading into the new financial year.



Category	Value
Cash	\$3,380,080
Digital Assets	\$27,173,520
Intangibles (including ROU asset)	\$2,550,881
Investments	\$737,720
Other	\$681,161

PRODUCT DEVELOPMENT

DigitalX is growing a portfolio of digital finance products and services to transform the way investors and listed company customers originate, invest, and transact with their assets.

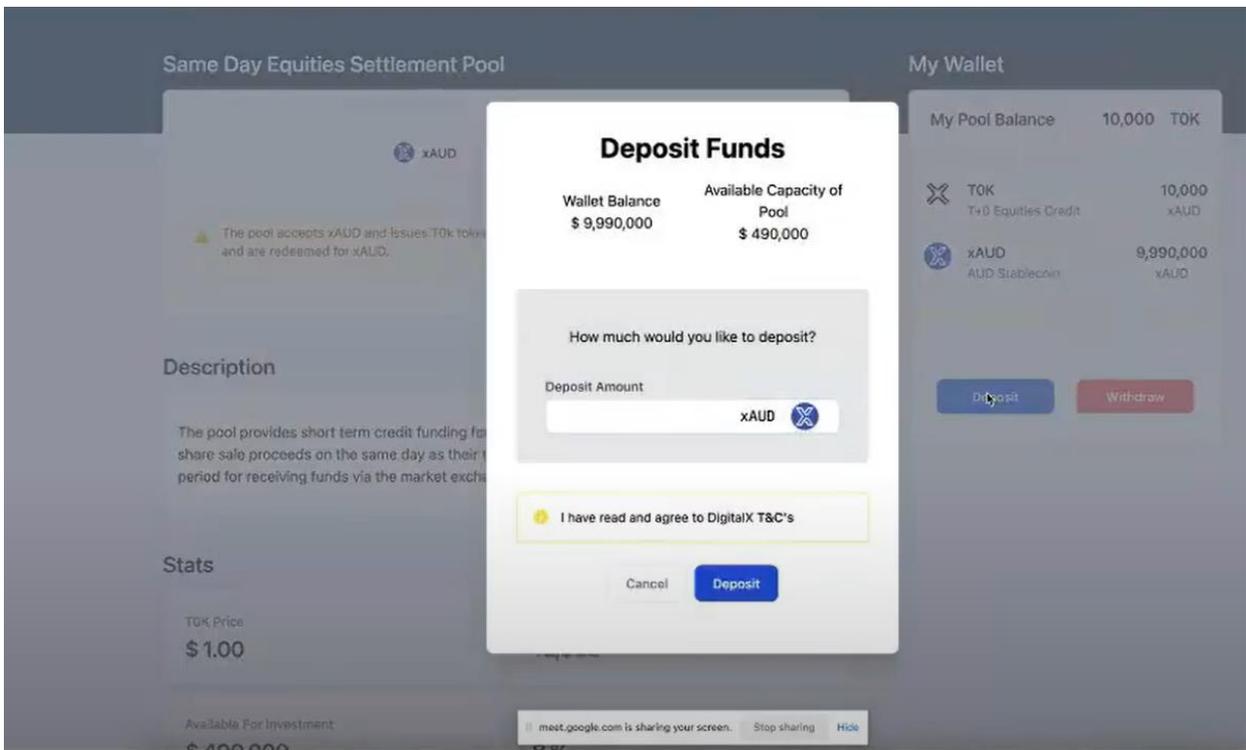
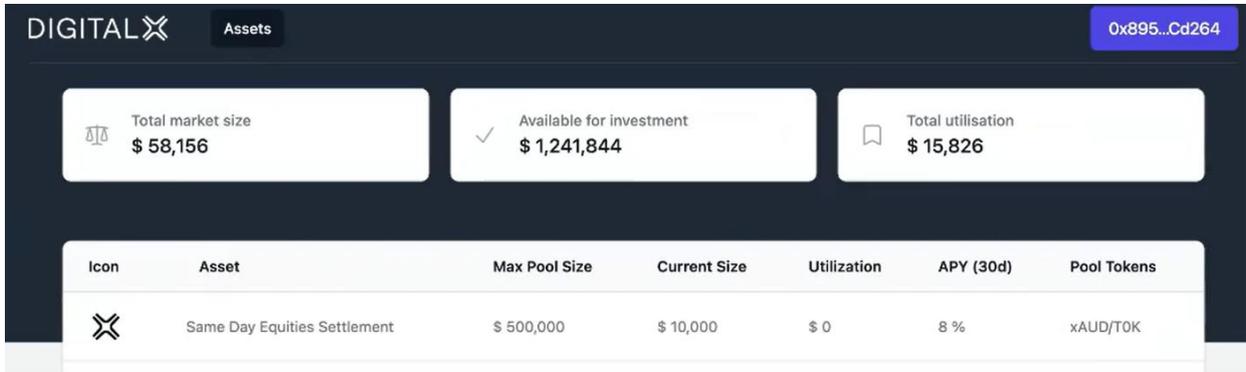
The Product Team develops and supports the underlying technology for the Company’s two core products: Sell My Shares and Drawbridge. Both products are well positioned for growth opportunities, arising from transacting with shares and the emerging market for tokenised real-world assets. A core focus for the team has been to drive innovation around distributed ledger technologies (DLTs) and associated application infrastructure, which underpins both Drawbridge and the Company’s real-world asset tokenisation initiatives. To achieve this, the team has collaborated and built strong relationships with key DigitalX partners, including: the Digital Finance CRC, the ASX Synfini digital asset platform, and technology providers such as Blockfold and Fireblocks.

The first half of the year was primarily focused on the enhancement of the Sell My Shares technology and business capabilities. Working with SMS customer service colleagues, the product team defined and delivered strategic product features and tailored customer experiences which enabled the significant revenue SMS growth seen across the year. This work included the first stage of integration for share sale referrals from Automic. Customer testing of initial Drawbridge integration with SMS continued, along with assessing the potential for Drawbridge to be a value-add to Automic’s services. The impact of the ASX’s decision to not pursue DAML Distributed Ledger Technology for the replacement of the CHES system, and focus its DLT capability purely on digital assets, was also assessed. See the following Drawbridge section for more information.

From late Q2, the focus for new product development transitioned to enabling the Company’s asset tokenisation strategy. This began with a proof of concept token representing a notional unit in a DigitalX fund created on the ASX’s Synfini DAML platform. A second proof of concept for a tokenised investment pool - named TOK - demonstrated how qualified investors could earn a return by providing capital required to fund the settlement of shares on a same-day, or T+0 basis. Key elements of the comprehensive TOK prototype,

including the yield-bearing Ethereum Vault standard (ERC4626), were incorporated in the underlying smart contract technology infrastructure of the DxART Fund.

The following images showcase the working prototype of the T0k user interface, built by the product team to represent a potential future direct investor experience.



The DxART infrastructure represents a more scalable evolution of the TOK approach. It was built in conjunction with Blockfold, a strategic partner currently developing a platform that simplifies and scales smart contract development for financial services use cases. DigitalX is a foundation member of Blockfold's early adopter program.

In Q4, the Company's product team began the design and initial implementation work for the automation of DigitalX's investment due diligence process and principles - i.e. the 'Universal Scoring Matrix'. This automation is called the "Smartlist". The Smartlist compiles relevant asset attributes (asset data) and determines the universal investment score of each asset by ensuring the digitised qualitative criteria are met. Automating investment due diligence can help to enhance diversification and, over time, has the potential to reduce administration and transaction costs. It also assists in automating the portfolio construction process. The team also continued supporting the exploration of multiple digital distribution options for both the Funds and SMS businesses.

Drawbridge

Drawbridge is a governance tool to a) prevent employees from share trading during blackout periods, and b) assist management in monitoring employee share transactions. The original architecture of Drawbridge built on the ASX Synfini platform was intended to reference the CHESSE upgrade.

The ASX's decision to refocus DAML Distributed Ledger Technology purely on the origination and distribution of digital assets provided an opportunity to leverage the Company's Drawbridge technology stack and development expertise into transacting with digital assets. The Company believes the potential for compliance technology over and above the base DLT layer is significant in the regulated digital asset space, albeit still emerging.

Customer testing of the initial Drawbridge integration with SMS trade execution, and the assessment of Automic's need for compliance tools, did not generate a clear value proposition for additional investment in enhancing Drawbridge's capabilities in traditional securities trading. In Q4, DigitalX was notified that it had been unsuccessful in being selected for the second round of funding from the Department of Industry Science and Resources under the Business Research and Innovation Initiative. The BRII challenge focused on the development of a technology solution to help the Australian Securities and Investments Commission (ASIC) better analyse corporate disclosures. DigitalX had pitched Drawbridge as a potential solution.

Based on the ASIC decision and the ASX's decision to not pursue DAML Distributed Ledger Technology for replacement of the CHESSE system, the Company is reviewing the product and technology roadmap for Drawbridge, which will include redefining the product market fit with our strategic distribution channel partners and technology providers and adjusting our offering. This will open up new opportunities in the digital asset space and will not impact existing Drawbridge customers who are currently using the technology for securities trading compliance.

Sell My Shares (SMS)

Sell My Shares continues to be Australia's leading provider of online share sales for customers seeking to complete a one-off share sale without the hassle of opening an ongoing brokerage account. The last three quarters of FY23 saw record-breaking revenue and record-breaking volumes in terms of trade value and number of transactions. The team delivered over \$500,000 in revenue each quarter, which had never been achieved prior to DigitalX's acquisition of Sell My Shares.

As part of the SMS strategic roadmap, the team was primarily focused on increasing revenue via the following four avenues: Deceased Estate customers, Automic Partnership, International Share Sales, and T-Zero Settlements. The team successfully delivered on this strategy, with these four initiatives contributing a total of 29% to annual SMS revenue.

The team's additional focus for the year was ensuring staff are sufficiently trained and resourced across the Sell My Shares business. The hiring of a Customer Success Manager has accelerated operational improvement and has, in turn, enabled more of a focus on the strategic future of the business and the exploration of additional revenue opportunities.

Furthermore, the new backend system has allowed for increased operational efficiency across the team. In June, the business started exploring opportunities to partner with Employee Share Scheme administrators to increase revenue by driving more trades through these platforms. Process optimisation was the theme for the year internally, with increasing margins through reviewing partnerships and suppliers strategically also being a high priority.

Ethereum staking to drive validation revenue

In August 2022, the Company launched its own Ethereum (“ETH”) validator nodes to maximise the utilisation of its digital assets and generate staking revenue. Each Ethereum validator node requires 32 ETH to be staked as a deposit, which then generates a return in exchange for the node’s contribution of computational resources needed to run the network.

Over the previous year from August 2022 to June 2023, the four Ethereum validator nodes (requiring 128 ETH) were staked and generated approximately 3.04 ETH in staking revenue. The nodes have been developed following best practices and with robust cyber security principles designed to appropriately manage technical risks associated with staking.

In April, the Company took advantage of the Ethereum Shanghai-Capella network upgrade to undergo important testing of the newly available destaking process. Testing the new procedure saw DigitalX destake the Ethereum (“ETH”) in our nodes, transfer the assets directly to our custodian and generate new nodes after extracting the accumulated interest earned in the process. Given the new demand for the nodes, ETH staking yields dropped in the quarter. Although only a small part of revenue, this is foundational infrastructure knowledge for the business and the team will continue to refine the process before expanding the initiative further.

Digital Finance Cooperative Research Centre (CRC)

DIGITAL FINANCE CRC

The DFCRC brings together leading university researchers in partnership with industry to solve real-world problems using leading technologies. The Company continued to evolve its relationship with the DFCRC during the period. This included exploring use cases for Central Bank Digital Currencies (CBDC), culminating in DigitalX submitting a use case for simplifying the matching and settlement of carbon liabilities produced by ASX-listed companies with carbon offset providers. This was provided on a “for research purposes only” basis with no commitment to provide resources for building a pilot at this stage. DigitalX participated as an execution party in the tokenised foreign exchange settlement CBDC use case submitted and piloted by CANVAS.

DigitalX’s first PhD candidate continued exploring the crypto-native governance model of Decentralised Autonomous Organisations (DAOs) with academic partners. During the first half of the financial year, a prototype was built for incentivised peer-review and publishing of academic research. In the second half, the work pivoted to explore similar decentralised and algorithmic models for assessing and validating financial investment opportunities in a web 3.0 context, which the Company believes better aligns with its strategy. This will continue in FY24 as a joint research project under the auspices of DigitalX and Curtin University’s School of Engineering. Learnings will be tested against and, where relevant, incorporated into DigitalX’s Smartlist and Playlist initiatives for automation of investment due diligence and portfolio management.

DigitalX has also introduced Perth startup Arbela to the DFCRC and is in the process of incorporating them into this research project. Arbela is pursuing a collective intelligence approach to investment validation with attributes similar to DAOs (crowdsourced/decentralised). The Company sees this potentially augmenting and further differentiating its automated due diligence approach in the market.

Additionally, the Company has welcomed its second graduate student from University of New South Wales UNOVA Research Lab. This partnership has focused on the development of the first iteration of the universal scoring algorithm within the Smartlist, in collaboration with the in-house DigitalX Funds and Products Teams and the Company’s technology partners. The initial iteration was in support of asset selection for the launch of the HxART investment pool.

DIGITAL ASSET FUNDS MANAGEMENT

DigitalX Asset Management Pty Ltd (a wholly owned subsidiary of DigitalX Limited) is the investment manager of digital asset investment products for qualified investors to invest in digital assets through a familiar, secure, and regulated structure. The Company operates three professionally managed wholesale funds, the DigitalX Asset Reference Token Fund, the DigitalX Bitcoin Fund, and the DigitalX Fund - a diversified basket of leading digital assets. The DigitalX Funds solve the technical and risk management challenges of investing in this emerging asset class for high-net-worth and institutional investors.

The DigitalX Asset Reference Token Fund (“DxART Fund”) was launched at the end of June and is an Australian-first funds management product that has been established to offer investors exposure to multiple pools of digital tokens backed by different types of real-world assets. The DxART Fund seeks to provide attractive risk-adjusted returns by investing in property, venture capital, private debt, commodities, cash, and bonds. The DxART Fund positions investors to take advantage of the next wave of global digital financial infrastructure. The launch of this fund was a key strategic initiative executed by management.

During the period, the DigitalX Bitcoin Fund and the DigitalX Fund rose 56.0% and 45.3% respectively, outperforming the US S&P Cryptocurrency Top 10 Equal Weight Index (USD) which rose 5.4%, AUD gold (+9.1%), All Ords Index (+9.7%) and S&P 500 (+17.7%). The DigitalX Bitcoin Fund has generated an annualised return of 46.8% since its inception in December 2019 and the DigitalX Fund has risen 11.6% annually since its inception in April 2018. In May, the DigitalX Fund celebrated its 5-year track record.

FY23 was a tale of two halves for the DigitalX Bitcoin Fund and the DigitalX Fund. Both funds were impacted by the significant volatility arising from the sharp rise in US interest rates followed by the collapse of the FTX exchange in November 2022, and the subsequent fears of contagion from its sister company Alameda Research which on-lent funds to other major participants in the digital asset sector. As a result of the Company’s proven asset allocation processes, the Investment Team sold out of FTT tokens prior to its price collapse and did not hold any funds on the FTX exchange, minimising the financial impact of what is now known to be a major fraud.

Performance of the two funds grew in the second half of the year with digital asset prices rising as inflationary pressures in the US started to ease, leading to an expected slowdown of further interest rate rises. Bitcoin and Ethereum also rallied following the collapse of a number of regional US banks and the takeover of Credit Suisse by UBS.

After a number of challenging years of raising capital in digital assets, the medium-term outlook is much brighter. In mid-June, BlackRock (the US\$9 trillion asset manager) filed for a spot Bitcoin exchange-traded fund (ETF) in the US. Other large traditional asset managers including Fidelity, Van Eck and Invesco followed suit. And in July, a US court case ruled in favour of Ripple over the SEC providing some level of clarity in the debate over the security status of digital assets, and seven applications for Ethereum ETFs were submitted to regulators. These traditional asset managers will bring a much-needed level of maturity, compliance and regulatory oversight into the digital asset sector and open up access to investors looking to gain exposure to this emerging asset class without the complications and security risks of managing their own digital wallets. These fundamental shifts align well with the bitcoin halving that is expected to occur in April 2024, which historically has led to significant appreciation in the price of Bitcoin.

Given the challenges in digital asset markets, revenue was impacted and it is proving a challenging market for bringing on new investors. During the final quarter of FY23, the team began to focus on new channel opportunities to boost funds under management in 2024.

CORPORATE

Strategy

DigitalX’s objective is to maximise revenue growth while setting a long-term strategic vision for the business. The Company is committed to laying the foundation for the next five years of growth and maximising shareholder value.

Strategic initiatives executed over the 2023 financial year include:

- **Accelerating Sell My Shares new product development and revenue streams:** These four revenue streams contributed a total of 29% to overall group revenue:
 - Deceased Estates, which enables customers to sell shares as part of settling deceased estates
 - T-Zero Settlements, which enables customers to receive the proceeds of their sale on the same day the shares are sold
 - International Sales, which allows people residing outside of Australia to sell their shares that are listed on the ASX
 - Automic Partnership Revenue, where sales are referred via the Automic share registry for any of its customers who want to sell their shares (largely through acquired employee share schemes)
- **Data validation and staking returns on digital asset treasury:** The Company upgrade to undergo important testing of the newly available destaking process. Testing the new procedure saw DigitalX destake the Ethereum (“ETH”) in our nodes, transfer the assets directly to our custodian and generate new nodes after extracting the accumulated interest earned in the process.
- **New fund products with a focus on tokenised real-world assets:** After a long development period, the company successfully launched the DxART fund at the end of the financial year.
- **Venture investments and incubation:** Given the current state of balance sheet assets, this strategy is under review and will be reprioritised once the funds are in scale.
- **Partnerships:** Accelerating growth via continuous exploration of strategic partnerships.

Going forward, the company aims to focus on the following objectives for the next financial year:

- **Strategic objective of \$100m in assets under management,** utilising the following avenues:
 - 90-day marketing plan on track and Google Ad words campaign is ready to kick off on time
 - Focus on the go-to-market strategy for the DxART Fund and HxART Investment Pool
 - Progressing new traditional and Web3 Distribution channels
 - Development team working on a client Web3 onboarding journey
- **Establishing a normalised cash flow positive run rate** by the end of the 2024 financial year
- **SMS improving gross margin,** by implementing operational improvements and new strategic partnerships as well as pursuing ongoing revenue growth
- **eNPS (Employee Happiness Score):** an eNPS score 10% higher than the previous financial year

Environment, Social, and Governance (ESG) Framework

DigitalX continues to consider social responsibility as part of its business operations. The Company’s commitment to sustainable value creation reflects its deep understanding of the evolving expectations of people, planet, prosperity, and the principles of good governance.

Guided by this mission, DigitalX has integrated the World Economic Forum (WEF) ESG Framework into its operations. Over the past two years, and in partnership with Socialsuite, the Company has successfully implemented impact measurement strategies across various dimensions of sustainability, including governance, anti-corruption measures, ethical conduct, human rights, carbon emissions, ecological sensitivity, water stewardship, diversity and inclusivity, fair remuneration, and responsible tax contributions.

In its ongoing pursuit to ensure accurate tracking, continuous assessment, and transparent reporting of DigitalX's ESG progress, the Company continues to work with Socialsuite, an impact reporting software provider that works with over 100 public companies. This partnership has streamlined the Company's disclosure process and enabled it to provide consistent updates on its ESG journey. DigitalX continues to demonstrate its commitment and progress in making disclosures on ESG topics and looks for opportunities for further transparency on the topics that are material to the business. By integrating ESG metrics into the Company's governance, business strategy, and performance management process, all pertinent risks and opportunities in running the business can be diligently considered.

Additional information as well as the most up-to-date ESG report are available on the Company's website: <https://www.digitalx.com/esg>.

However, here are a few ESG highlights from the year:

- Last financial year (FY22), the Company completed an exercise to review and re-define its core purpose to 'finance for impact'. The results of this have guided business activities over the last year, including a brand redesign, partnering with Bricklet in the HxART asset pool, and launching the 1,000 Faces campaign, which aims to find 1,000 families to be part of the Bricklet ecosystem and close the gap on housing deposits.
- DigitalX continued offsetting the environmental impact of its corporate activities and Bitcoin holding over the financial year. During the period, the Company partnered with Betacarbon to transact \$10,000 of Carbon tokens via the XAUD stablecoin.
- After a year of implementing a new human resources (HR) system to allow the Company to accurately track, measure and report on workplace diversity, a solid understanding of DigitalX's people has been established, and an effective and efficient people operations process is now in place.
- With an ongoing and conscious effort to continue to build and maintain a highly diverse talent pool, the Company is pleased to report that its gender diversity ratio has increased to 48% over the last financial year (up 9% from last year's gender diversity ratio of 39%).

BAM and xbullion

Bullion Asset Management Pte Ltd (**BAM**) is a Singapore-based bullion technology business utilising blockchain technology and has been a long-term investment for the Company as part of its blockchain venture strategy. DigitalX currently holds approximately 16.9% of BAM.

During 2022, xbullion attempted to raise capital from the market, albeit unsuccessfully. DigitalX is working with the other shareholders to incubate the technology and stored assets whilst strategic investors are found. CEO Lisa Wade joined the Board of BAM to support the incubation and fundraising conversation. The Company has decided to write down the fair value of the investment in xbullion to \$240,000, resulting in a fair value decrement of \$2,050,994 for the financial year ended 30 June 2023.

xbullion allows investors to acquire digitally transferable ownership of physical gold and silver bullion that is vaulted, audited and insured for a fraction of the cost of traditional measures. DigitalX was responsible for building the core technical infrastructure of xbullion, which enabled the product to go live to the market.

BAM has a joint venture with Leonie Hill Ai Pte Ltd for the development of an Australian dollar-backed stablecoin (**XAUD**).

After the end of the Financial Year, Lisa Wade was appointed to the Board of xbullion as a means of providing oversight to protect the Company's investment and to provide any strategic assistance that may enable the investment value and potential in xbullion to be realised.

DigitalX Treasury Holdings & Investments

The DigitalX corporate treasury provides shareholders exposure to a variety of digital assets and digital finance projects. The Company has utilised and continues to utilise its market expertise and skills in identifying, securing and managing these assets and projects in order to generate value.

As at 30 June 2023, the Company held the following major treasury assets:

- Direct holding in Bitcoin and other digital assets (see note 11)
- Investment in Bullion Asset Management (see note 10)
- Investment in DigitalX BTC Fund and DigitalX Fund (see note 10)
- Investment in Bricklets (see note 10)

Recovery actionsBackground

The Company notes that it had previously commenced proceedings in the District Court of Massachusetts to secure the rights to Bitcoin that has been recovered by liquidators of historical crypto exchange, Mt Gox. In February 2014, prior to the Company acquiring its Bitcoin mining business and re-complying with Chapters 1 and 2 of the ASX Listing Rules, the Mt Gox Bitcoin Exchange was shut down after it was hacked. As set out in the Company's Prospectus dated 12 May 2014 (2014 Prospectus), one of the subsidiaries acquired by the Company lost access to 351 Bitcoin as part of that hack.

The Company became aware that Mr Alex Karis, a former Director of the Company, had lodged a claim with the bankruptcy trustee of Mt Gox for the 351 Bitcoin in his own name, despite Mr Karis having entered into a deed (Deed) declaring that he holds the Bitcoin on trust for the subsidiary of the Company (as referred to in Section 11.17 of the Company's 2014 Prospectus).

The Company notes that Mr Karis had filed proceedings in the Federal Court of Australia seeking to have the Deed declared void, other related relief, and alleged debts he claims are owed to him by the Company. The Company asserts that it does not owe any amount to Mr Karis. Following initial engagement with legal counsel, the Company continues to assert that the Deed is binding on Mr Karis and that it does not owe the claimed debts, and the Company intends to defend these proceedings to the fullest extent.

Updates

In its September 2022 Quarterly Report, the Company advised that the District Court of Massachusetts had dismissed this claim without prejudice, following the Company filing its counterclaim in the Federal Court of Australia. It was also reported that mediation for the Australian Federal Court proceedings between Mr Karis and the Company for the claimed debts was due to occur in late 2022, and was subsequently postponed when the Judge reserved her decision on the Company's Bitcoin summary judgment application without an expected timeframe for decision. The Company is currently awaiting that decision.

In its June 2023 Quarterly Report, the Company noted that the determination of the Company's bitcoin summary judgment is still reserved, with no time frame provided by the Court and no subsequent mediation date set.

As at June 30th 2023, there is still no decision on the summary judgment from the Australian Federal Court.

Environmental regulation

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

Significant changes in the state of affairs

In addition to the matters noted above in the operating and financial review, 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	Link ¹
June 2023	Launch of Digital Asset Reference Token Fund	Revenue	Link
Feb 2023	DigitalX Commences RWAT Journey with Initial Partnership	Revenue	Link
Feb 2023	Automic Referral Partnership Reaches Implementation Stage	OFR	Link
Nov 2022	Automic Group Partnership for Share Sale Services	OFR	Link
Oct 2022	Sale of Human Protocol Tokens	Revenue	Link

¹Refer 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 the 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.

DigitalX Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity: DigitalX Limited
ABN: 59 009 575 035
Reporting period: For the year ended 30 June 2023
Previous period: For the year ended 30 June 2022

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	2.2% to	2,268,187
Loss from ordinary activities after tax attributable to the owners of DigitalX Limited	up	167.1% to	(7,584,749)
Loss for the year attributable to the owners of DigitalX Limited	up	167.1% to	(7,584,749)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$7,584,749 (30 June 2022: \$2,839,468).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>2.92</u>	<u>3.35</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

- DigitalX Bitcoin Fund Unit Trust
- DigitalX Fund Unit Trust

Note that on 30 June 2023, the company launched the DigitalX Asset Reference Token Fund. At the date of this report, the fund remains unseeded.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

The foreign controlled subsidiaries of the consolidated entity comply with the requirements of International Financial Reporting Standards.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

This report is based on financial statements which are in the process of being audited.

11. Signed

Authorised by a resolution of the Board

Date: 30 August 2023

Toby Hicks
Chair

DigitalX Limited

ABN 59 009 575 035

Preliminary Appendix 4E - 30 June 2023

DigitalX Limited
Corporate directory
30 June 2023

Directors	Toby Hicks Greg Dooley Peter Rubinstein
Company secretary	Joel Ives
ABN	59 009 575 035
Registered office and principle place of business	Suite 2, Level 4, 66 Kings Park Road West Perth WA 6005
Share register	Automic Pty Ltd Level 5, 126 Phillip Street Sydney, NSW 2000
Auditor	BDO Audit (WA) Pty Ltd Level 9, Mia Yellagonga Tower 2, 5 Spring Street Perth WA 6005
Stock exchange listing	DigitalX Limited shares are listed on the Australian Securities Exchange (ASX code: DCC)
Website	http://www.digitalx.com/

DigitalX Limited
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30 June 2023

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Preliminary statement of financial position	4
Preliminary statement of changes in equity	5
Preliminary statement of cash flows	6
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General information

The financial statements cover DigitalX Limited as a consolidated entity consisting of DigitalX Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is DigitalX Limited's functional and presentation currency.

DigitalX Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 2, Level 4, 66 Kings Park Road
West Perth WA 6005

DigitalX Limited
Preliminary statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 2023 \$	2022 \$
Revenue from operations	4	2,268,187	2,318,132
Other income	5	25,580	218,454
Expenses			
Professional and consultancy fees	6	(936,083)	(1,107,740)
Corporate expenses		(235,111)	(218,323)
Advertising, media and investor relations		(784,200)	(647,939)
Employee benefits expense		(3,916,059)	(2,262,112)
Share-based payments	21	(273,092)	(56,547)
Depreciation		(250,269)	(322,976)
Realised and unrealised foreign exchange losses		(14,382)	(4,472)
Fair value movement of financial assets		(2,049,031)	56,424
Finance costs		(33,197)	(169,723)
Other expenses	7	(1,519,042)	(984,143)
Decrease in net assets attributable to unit holders	14	131,950	341,497
Loss before income tax expense		(7,584,749)	(2,839,468)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of DigitalX Limited		(7,584,749)	(2,839,468)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value increase/(decrease) in digital asset holdings		4,204,564	(12,895,148)
Exchange differences on translation of operations		(35,353)	(245)
Other comprehensive income for the year, net of tax		4,169,211	(12,895,393)
Total comprehensive loss for the year attributable to the owners of DigitalX Limited		(3,415,538)	(15,734,861)
		Cents	Cents
Basic earnings per share	20	(1.02)	(0.38)
Diluted earnings per share	20	(1.02)	(0.38)

The above preliminary statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

DigitalX Limited
Preliminary statement of financial position
As at 30 June 2023

	Note	Consolidated	
		2023	2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	8	3,380,080	6,278,410
Trade and other receivables	9	381,737	293,412
Digital assets	11	27,173,520	23,568,863
Other current assets		247,133	201,884
Investments	10	497,720	-
Total current assets		<u>31,680,190</u>	<u>30,342,569</u>
Non-current assets			
Investments	10	240,000	2,290,994
Property, plant and equipment		52,291	41,095
Right-of-use assets		362,517	119,642
Intangibles	12	2,188,364	2,278,051
Total non-current assets		<u>2,843,172</u>	<u>4,729,782</u>
Total assets		<u>34,523,362</u>	<u>35,072,351</u>
Liabilities			
Current liabilities			
Trade and other payables	13	1,110,550	1,556,555
Lease liabilities		57,029	176,421
Distributions payable to unit holders	14	-	43,522
Net assets attributable to unit holders	14	9,108,506	6,211,747
Total current liabilities		<u>10,276,085</u>	<u>7,988,245</u>
Non-current liabilities			
Lease liabilities		309,052	-
Deferred tax		643	643
Total non-current liabilities		<u>309,695</u>	<u>643</u>
Total liabilities		<u>10,585,780</u>	<u>7,988,888</u>
Net assets		<u>23,937,582</u>	<u>27,083,463</u>
Equity			
Contributed equity	15	59,120,476	59,028,586
Reserves	16	9,475,031	5,128,053
Accumulated losses		<u>(44,657,925)</u>	<u>(37,073,176)</u>
Total equity		<u>23,937,582</u>	<u>27,083,463</u>

The above preliminary statement of financial position should be read in conjunction with the accompanying notes

DigitalX Limited
Preliminary statement of changes in equity
For the year ended 30 June 2023

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	58,796,111	17,970,289	(34,233,708)	42,532,692
Loss after income tax expense for the year	-	-	(2,839,468)	(2,839,468)
Other comprehensive loss for the year, net of tax	-	(12,895,393)	-	(12,895,393)
Total comprehensive loss for the year	-	(12,895,393)	(2,839,468)	(15,734,861)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 15)	232,475	-	-	232,475
Share-based payments (note 21)	-	53,157	-	53,157
Balance at 30 June 2022	<u>59,028,586</u>	<u>5,128,053</u>	<u>(37,073,176)</u>	<u>27,083,463</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	59,028,586	5,128,053	(37,073,176)	27,083,463
Loss after income tax expense for the year	-	-	(7,584,749)	(7,584,749)
Other comprehensive income for the year, net of tax	-	4,169,211	-	4,169,211
Total comprehensive income for the year	-	4,169,211	(7,584,749)	(3,415,538)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 15)	91,890	-	-	91,890
Share-based payments (note 21)	-	177,767	-	177,767
Balance at 30 June 2023	<u>59,120,476</u>	<u>9,475,031</u>	<u>(44,657,925)</u>	<u>23,937,582</u>

The above preliminary statement of changes in equity should be read in conjunction with the accompanying notes

DigitalX Limited
Preliminary statement of cash flows
For the year ended 30 June 2023

	Note	Consolidated 2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,269,839	2,230,619
Payments to suppliers and employees (inclusive of GST)		(7,518,708)	(4,992,185)
Other income		18,439	38,079
Other expenses		<u>(55,962)</u>	<u>(68,039)</u>
Net cash used in operating activities		<u>(4,286,392)</u>	<u>(2,791,526)</u>
Cash flows from investing activities			
Payment for intellectual property		-	(159,342)
Payments for Bricklets deposit	10	(497,720)	-
Acquisition of property, plant and equipment		(44,554)	(27,269)
Acquisition of business	12	-	(1,890,000)
Repayment of convertible note		-	250,000
Net proceeds from/(payments for) digital assets in funds		2,658,952	(2,285,617)
Other		<u>(10,000)</u>	<u>-</u>
Net cash from/(used in) investing activities		<u>2,106,678</u>	<u>(4,112,228)</u>
Cash flows from financing activities			
Proceeds from conversion of options		-	234,842
Net (redemptions)/proceeds from issue of units in funds		(542,669)	4,355,524
Distributions payable from the funds		-	(1,613,588)
Principal elements of lease payments		<u>(176,421)</u>	<u>(146,712)</u>
Net cash (used in)/from financing activities		<u>(719,090)</u>	<u>2,830,066</u>
Net decrease in cash and cash equivalents		(2,898,804)	(4,073,688)
Cash and cash equivalents at the beginning of the financial year		6,278,410	10,369,645
Foreign exchange movement in cash		<u>474</u>	<u>(17,547)</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>3,380,080</u></u>	<u><u>6,278,410</u></u>

The above preliminary statement of cash flows should be read in conjunction with the accompanying notes

DigitalX Limited
Notes to the preliminary financial statements
30 June 2023

Note 1. Basis for preparation

Corporate information

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

Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been applied consistently to all periods presented in the financial report excepted as described in the notes or in the consolidated entity's interim financial report. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Basis of preparation

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E and does not include all the notes typically included in an annual report.

Compliance with IFRS

The Preliminary Final Report of the consolidated entity also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) where applicable for satisfying the requirements of ASX Listing Rule 4.3A and does not include all the disclosures typically included in an annual report.

Note 2. 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 consolidated entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

- Revenue recognition (note 4)
- Digital assets, including fair value of digital assets (note 11)
- Fair value of investments (note 10)

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.

- Multijurisdictional taxation of operations
- Valuation of share-based payments (note 21)

Going concern

At the date of this report the consolidated entity 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 the Preliminary Final Report.

Presentation and functional currency

Presentation currency

The consolidated financial report is presented in Australian Dollars.

Functional currency

The individual financial statements of each 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 Australian dollars ('\$AUD'), 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 consolidated entity the functional currency has been determined to be \$AUD.

DigitalX Limited
Notes to the preliminary financial statements
30 June 2023

Note 3. Operating segments

Identification of reportable operating segments

AASB 8 requires operating segments to be identified based on internal reports about components of the consolidated entity 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 2023 the consolidated entity operated three segments, Product Development, Asset Management and Other. There have been no changes to operating segments from the corresponding period ended 30 June 2022.

Segment description

Product Development ('PD')

The consolidated entity develops its own blockchain, RegTech (Drawbridge), and FinTech (Sell My Shares) products as well as providing consulting, technical due diligence, solution design and development to businesses by utilising distributed ledger solutions and best of breed blockchain technologies.

Asset Management ('AM')

The AM division was setup in 2018 to give high net worth and institutional investors access to a portfolio of digital assets. DigitalX operates two funds focused on digital assets, the DigitalX Fund and the DigitalX BTC Fund.

Other

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

Segment performance and position

Consolidated - 2023	Product development \$	Asset management \$	Other \$	Total \$
Revenue				
Segment revenue	1,981,551	262,516	24,120	2,268,187
Total revenue	<u>1,981,551</u>	<u>262,516</u>	<u>24,120</u>	<u>2,268,187</u>
Segment result	<u>(691,823)</u>	<u>(1,544,699)</u>	<u>(5,196,711)</u>	<u>(7,433,233)</u>
Interest expense				(33,197)
Depreciation				(250,269)
Decrease in net assets attributable to unit holders				131,950
Loss before income tax expense				<u>(7,584,749)</u>
Income tax expense				-
Loss after income tax expense				<u>(7,584,749)</u>
Assets				
Segment assets	3,307,917	261,208	30,954,237	34,523,362
Total assets				<u>34,523,362</u>
Liabilities				
Segment liabilities	71,559	22,097	10,492,124	10,585,780
Total liabilities				<u>10,585,780</u>

DigitalX Limited
Notes to the preliminary financial statements
30 June 2023

Note 3. Operating segments (continued)

Consolidated - 2022	Product development \$	Asset management \$	Other \$	Total \$
Revenue				
Segment revenue	1,373,620	717,227	227,285	2,318,132
Intersegment revenue	-	-	-	-
Total revenue	<u>1,373,620</u>	<u>717,227</u>	<u>227,285</u>	<u>2,318,132</u>
Segment result	<u>(649,794)</u>	<u>(484,083)</u>	<u>(1,554,389)</u>	<u>(2,688,266)</u>
Interest expense				(169,723)
Depreciation				(322,976)
Amortisation & impairment				-
Taxation				-
Decrease in net assets attributable to unit holders				341,497
Loss before income tax expense				<u>(2,839,468)</u>
Income tax expense				-
Loss after income tax expense				<u>(2,839,468)</u>
Assets				
Segment assets	3,385,151	1,513,769	30,173,431	35,072,351
Total assets				<u>35,072,351</u>
Liabilities				
Segment liabilities	75,186	69,650	7,844,052	7,988,888
Total liabilities				<u>7,988,888</u>

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 consolidated entity.

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 and DigitalX BTC Fund as the CODM reviews the fund on a fair value basis of the consolidated entity's interest in the fund.

Note 4. Revenue from operations

	Consolidated	
	2023	2022
	\$	\$
Consulting revenue	-	16,420
Asset management fee revenue	262,516	717,631
Licensing revenue	24,120	216,587
Product revenue	-	2,950
Brokerage fee revenue	1,981,551	1,364,544
Revenue from operations	<u>2,268,187</u>	<u>2,318,132</u>

Note 4. Revenue from operations (continued)

Accounting policy for revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Note 5. Other income

	Consolidated	
	2023	2022
	\$	\$
Interest received	16,064	113,704
Other income	9,516	104,750
	<hr/>	<hr/>
Other income	25,580	218,454
	<hr/> <hr/>	<hr/> <hr/>

DigitalX Limited
Notes to the preliminary financial statements
30 June 2023

Note 6. Professional and consultancy fees

	Consolidated	
	2023	2022
	\$	\$
Legal fees	233,414	269,359
Consulting and funds management expenses	562,300	713,459
Tax consulting fees	72,069	40,519
Audit fees	68,300	84,403
	<u>936,083</u>	<u>1,107,740</u>

Note 7. Other expenses

	Consolidated	
	2023	2022
	\$	\$
Regulatory, licensing and compliance	897,437	678,619
Occupancy	283,584	169,028
Other expenses	338,021	136,496
	<u>1,519,042</u>	<u>984,143</u>

Note 8. Cash and cash equivalents

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Cash at bank	2,890,080	5,778,410
Cash deposits at call	490,000	500,000
	<u>3,380,080</u>	<u>6,278,410</u>

Cash deposits at call include cash balances on exchanges. The balance originates following a liquidation of digital assets.

Accounting policy for 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 consolidated entity's holdings of digital assets (excluding non-algorithmic stablecoins) which are classified as intangible assets (refer to note 11).

Note 9. Trade and other receivables

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Trade receivables	235,656	191,660
Less: Allowance for expected credit losses	-	-
	<u>235,656</u>	<u>191,660</u>
Other receivables	37,509	-
Deposits	108,572	101,752
	<u>146,081</u>	<u>101,752</u>
	<u><u>381,737</u></u>	<u><u>293,412</u></u>

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 10. Investments

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Investment in Bricklets	497,720	-
<i>Non-current assets</i>		
Investment in Bullion Asset Management Pte Ltd (BAM)	240,000	2,290,994
	<u>737,720</u>	<u>2,290,994</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	2,290,994	2,221,436
Additions through Bricklets deposit	497,720	-
Fair value (decrements)/increments through profit or loss	<u>(2,050,994)</u>	<u>69,558</u>
Closing fair value	<u><u>737,720</u></u>	<u><u>2,290,994</u></u>

Investment in Bullion Asset Management Pte Ltd (BAM)

Given the decision of BAM to scale back its operations of the business the Board have made the decision to apply a fair value adjustment to the valuation, whilst we work with BAM and their other major investors on support initiatives. A further fair value decrement has been made since the interim financial statements, reflecting the company's assessment of current market conditions.

DigitalX Limited
Notes to the preliminary financial statements
30 June 2023

Note 10. Investments (continued)

Investment in Bricklets

During the financial year, consolidated entity entered into a strategic partnership with Bricklet, a Sydney-based property tech company. The partnership aims to combine technology, expertise, and resources to facilitate home ownership for everyday Australians. Bricklet's blockchain-supported Homeowner Equity Share program enables buyers without a standard 20% home deposit but with sufficient income to purchase residential property. A commitment of up to \$500,000 in balance sheet funds was made by DigitalX for Bricklet's property deals as seed capital for the RWAT Fund launch. Three Bricklet property deals were funded during the 2023 financial year, as reflected above.

Investment in DigitalX Funds

The consolidated entity has provided seed capital to the DigitalX Fund (a unit trust) and DigitalX BTC Fund (a unit trust) for the purpose of investing in and generating returns on digital assets. As noted in note 3 the Board reviews the performance of the funds at fair value based on the reported fund net asset value (NAV) each period. However, as the company also provides fund management services for the fund it is deemed that the consolidated entity meets the definition of control under AASB10: Consolidated Financial Statements and as a result, the financial position and performance of the DigitalX funds have been included in the consolidated entity financial statements. The consolidated entity will continue to assess its position with respect to control of the fund at each reporting period and there has been no changes to the consolidated entity's assessment for the year ended 30 June 2023.

The net asset value (NAV) of the consolidated entity's units in the funds at 30 June 2023 were \$AUD0.9417 (30 June 2022: \$AUD0.6483) for the DigitalX Fund and \$AUD4.1407 (30 June 2022: \$AUD2.6539) for the DigitalX BTC Fund respectively.

At 30 June 2023, the company's holding in the DigitalX BTC fund and DigitalX Fund was 60.82% (30 June 2022: 60.31%) and 36.47% (30 June 2022: 34.73%) respectively.

Subsequent to period end, the intention is to transfer the Bricklets deposit into the DigitalX Asset Reference Token Fund. At the date of this report, the transfer mechanism and date of transfer have not been finalised.

Note 11. 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. Digital Assets are an emerging technology and asset class, and as such there are no specific accounting standards that cover the treatment, rather digital assets are assessed by applying existing accounting standards in conjunction with guidance released by the accounting standard setting bodies such as the IASB. Management consider it appropriate to group digital assets into a single balance in the Consolidated Financial Statements and providing users with a reconciliation by category in the notes to the Financial Statements. For the purpose of fair value disclosures, the consolidated entity 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.

Digital assets – accounted for using inventory methodology

For digital assets that meet the criteria of AASB102: Inventory, the consolidated entity 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 consolidated entity 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 consolidated entity disposes of the inventory through its trading activities or when the consolidated entity otherwise loses control and, therefore, access to the economic benefits associated with ownership of the digital asset.

Note 11. Digital assets (continued)

Digital assets – accounted for using intangible asset methodology

The consolidated entity consider that any digital asset that does not fall under the inventory or financial asset methodology and meet the recognition criteria (identifiable, controllable and capable of generation future economic benefits) are considered to intangible assets.

For digital assets that meet the criteria of AASB138: Intangible Assets, the consolidated entity measures digital assets at its fair value less costs to sell in accordance with the revaluation model (provided there is an active market), with increase in fair value being recognised in other comprehensive income and credited to a revaluation reserve, unless it reverses a revaluation deficit of the same asset previously recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve. Digital assets classified as intangible assets are considered to be indefinite life intangible assets given their nature.

Digital assets are derecognised when the consolidated entity disposes of the asset or when the consolidated entity otherwise loses control and, therefore, access to the economic benefits associated with ownership of the digital asset.

Digital assets – accounted for using financial asset methodology

Financial assets, including Digital 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 or loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at fair value through profit or loss. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Estimates and 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 monitors new comments and interpretations released by the Board and other standard setters from around the world.

In line with this, the consolidated entity has considered its position for the year ending 30 June 2023 and has determined that the consolidated entity’s digital assets fall into 3 categories:

- Inventory method (historical method used by the consolidated entity)
- Intangible asset method (the method noted by the IASB in its most recent deliberations)
- 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 and provided certain conditions are met) under the respective accounting standards.

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) 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, Bitgo, Independent Reserve and others in order to provide the consolidated entity 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 consolidated entity.

Unlisted digital assets are fair valued using a combination of Level 2 and Level 3 techniques. Refer to the table below for the break-down of fair value levels.

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Note 11. Digital assets (continued)

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Bitcoin	24,095,777	17,506,895
Other listed digital assets	3,077,622	5,642,503
Non-listed digital assets	121	419,465
	<u>27,173,520</u>	<u>23,568,863</u>

¹ Digital assets were measured at fair value using quoted prices as at 30 June 2023. Refer to note 22 for prices at the date of this report.

² The amount includes \$AUD15,218,490 held by the DigitalX BTC Fund and \$AUD2,189,861 held by the DigitalX Fund.

³ Includes all tokens that are not bitcoin that are listed on an exchange. The amount includes \$AUD2,659,408 held by the DigitalX Fund.

⁴ Includes all tokens not listed on an exchange.

	Intangible asset \$	Financial asset \$	Total \$
Opening balance at 1 July 2021	32,478,065	1,904	32,479,969
Net trading activity	2,285,617	-	2,285,617
Reclassification	8,335,434	-	8,335,434
Revaluation	(19,530,253)	(1,904)	(19,532,157)
Closing balance at 30 June 2022	<u>23,568,863</u>	<u>-</u>	<u>23,568,863</u>
Opening balance at 1 July 2022	23,568,863	-	23,568,863
Net trading activity	(2,658,952)	-	(2,658,952)
Revaluation	6,263,609	-	6,263,609
Closing balance at 30 June 2023	<u>27,173,520</u>	<u>-</u>	<u>27,173,520</u>

Net trading activity is the net purchase and sale of digital assets and includes monthly rebalance for the DigitalX Fund and DigitalX BTC Fund.

Level	Description	\$
Level 1	Level 1 fair value digital assets are those assets that are actively traded on a digital asset exchange or decentralised exchange for which there is an active market with sufficient volume.	27,173,399
Level 2	Level 2 fair value digital assets are those assets measured at fair value but the market prices are not actively quoted and determined using a market matrix approach (AASB13.B7). This is most common for digital assets where an active trading pair does not exist with a FIAT currency but may exist for a trading pair such as Ethereum or Bitcoin which can then be measured using the level 1 input.	121
Level 3	Level 3 fair value digital assets are those assets carried at fair value where fair value has been determined by reference to the entity's own data and financial data provided by the project such as comparable projects, financial forecasts and equity transactions.	-

Note 12. Intangibles

	Consolidated	
	2023	2022
	\$	\$
Goodwill	1,888,304	1,888,304
Less: Impairment	-	-
	<u>1,888,304</u>	<u>1,888,304</u>
Development - at cost	3,432,847	3,369,368
Less: Accumulated amortisation	(148,379)	(58,691)
Less: Accumulated provision for impairment	(2,984,408)	(2,920,930)
	<u>300,060</u>	<u>389,747</u>
	<u><u>2,188,364</u></u>	<u><u>2,278,051</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Development \$	Goodwill \$	Total \$
Balance at 1 July 2021	239,283	-	239,283
Additions	209,155	1,888,304	2,097,459
Amortisation expense	(58,691)	-	(58,691)
Balance at 30 June 2022	389,747	1,888,304	2,278,051
Additions	63,479	-	63,479
Amortisation expense	(89,688)	-	(89,688)
Provision for impairment of assets	(63,478)	-	(63,478)
Balance at 30 June 2023	<u><u>300,060</u></u>	<u><u>1,888,304</u></u>	<u><u>2,188,364</u></u>

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 13. Trade and other payables

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	499,324	495,486
Accrued expenses	168,441	360,892
Employee entitlements	424,591	373,403
Statutory payables	18,194	126,774
Fund applications	-	200,000
	<u>1,110,550</u>	<u>1,556,555</u>

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 14. Net assets attributable to unit holders

In accordance with AASB 132 Financial Instruments, specific instruments are categorised as equity in the separate financial statements of a subsidiary or other entity controlled by the consolidated entity. These instruments represent non-controlling interests in the consolidated financial statements, and they are categorised as liabilities in the consolidated financial statements of the consolidated entity to the extent that the non-controlling interest holds a preferential claim to the net assets of the subsidiary over shareholders of the parent. Changes in the net assets are recognised in the profit or loss, except for distributions to unit holders and subscription of units.

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Net assets attributable to unit holders	<u>9,108,506</u>	<u>6,211,747</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	6,211,747	8,257,054
Loss for the year attributable to non-controlling interests	(131,950)	(341,497)
Other comprehensive income attributable to non-controlling interests	3,318,020	(5,975,227)
Distributions payable	-	(43,523)
Gain on change in ownership	-	154,154
Net change in units on issue	(260,477)	4,160,786
Other	(28,834)	-
Closing balance	<u>9,108,506</u>	<u>6,211,747</u>

In accordance with the trust deed for the DigitalX BTC Fund and DigitalX Fund if there is taxable income at 30 June 2023 it must be distributed to the unit holders. At 30 June 2023, no amount was payable.

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Note 15. Contributed equity

	2023	Consolidated		
	Shares	2022	2023	2022
		Shares	\$	\$
Ordinary shares - fully paid	<u>745,519,039</u>	<u>742,444,039</u>	<u>59,120,476</u>	<u>59,028,586</u>

Dividends

There are no dividends paid or declared during the period.

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2021	739,675,657		58,796,110
Issue of shares on conversion of options	10 November 2021	2,768,382	\$0.08	234,482
Share issue costs				<u>(2,006)</u>
Balance	30 June 2022	742,444,039		59,028,586
Issue of employee shares	29 August 2022	3,075,000	\$0.03	95,325
Share issue costs				<u>(3,435)</u>
Balance	30 June 2023	<u>745,519,039</u>		<u>59,120,476</u>

The consolidated entity'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 consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

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Note 15. Contributed equity (continued)

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 16. Reserves

Nature of reserves

Share-based payments 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 currency 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.
Asset revaluation reserve	Reserve is established to record the fair value movement in digital assets.

	Consolidated	
	2023	2022
	\$	\$
Share-based payments reserve	3,191,622	3,013,854
Convertible note reserve	91,051	91,051
Foreign currency reserve	(47,814)	(12,460)
Asset revaluation reserve	6,240,172	2,035,608
	<u>9,475,031</u>	<u>5,128,053</u>

Note 17. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 18. Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of DigitalX Limited (the company) 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 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 consolidated entity's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the consolidated entity are eliminated in full on consolidation.

Note 19. Interests in subsidiaries

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 18. All controlled entities are included in the consolidated financial statements. 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.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in :

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023 %	2022 %
Digital CC Management Pty Ltd	Australia	100.00%	100.00%
Digital CC Trading Pty Ltd	Australia	100.00%	100.00%
Digital CC IP Pty Ltd	Australia	100.00%	100.00%
Digital CC Limited	Hong Kong	100.00%	100.00%
Digital CC IP Limited	Hong Kong	100.00%	100.00%
Digital CC Holdings USA Inc	United States	100.00%	100.00%
Digital CC USA LLC	United States	100.00%	100.00%
Digital CC USA Services LLC	United States	100.00%	100.00%
Digital CC Ventures Pty Ltd	Australia	100.00%	100.00%
Pass Petroleum Pty Ltd	Australia	100.00%	100.00%
Airpocket International Pty Ltd	Australia	100.00%	100.00%
AirPocket LLC	United States	100.00%	100.00%

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Note 19. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023 %	2022 %
DigitalX Funds Management Pty Ltd	Australia	73.00%	73.00%
DigitalX Fund Unit Trust	Australia	36.47%	34.73%
DigitalX Bitcoin Fund Unit Trust	Australia	60.82%	60.31%
DigitalX Asset Management Pty Ltd	Australia	100.00%	100.00%
Sell My Shares Pty Ltd	Australia	100.00%	100.00%

Year ended 30 June 2023

There were no changes to the controlled entities during the year ended 30 June 2023.

Year ended 30 June 2022

There were no changes to the controlled entities during the year ended 30 June 2023 except for those noted below:

Sell My Shares Pty Ltd was incorporated to acquire the business assets of Sell My Shares.

Note 20. Earnings per share

	Consolidated	
	2023 \$	2022 \$
Loss after income tax attributable to the owners of DigitalX Limited	<u>(7,584,749)</u>	<u>(2,839,468)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>745,013,560</u>	<u>741,435,286</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>745,013,560</u>	<u>741,435,286</u>
	Cents	Cents
Basic earnings per share	(1.02)	(0.38)
Diluted earnings per share	(1.02)	(0.38)

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of DigitalX Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the 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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Options, warrants and performance rights outstanding would decrease the loss per share reported above and hence, have been treated as antidilutive. The number of options outstanding at 30 June 2023 would convert to 45,686,729 ordinary shares if exercised. The number of warrants outstanding at 30 June 2023 would convert to 55,839,003 ordinary shares if exercised. The number of performance rights outstanding at 30 June 2023 would convert to 3,474,985 ordinary shares if exercised.

Refer to note 21 for details on options, warrants and performance rights outstanding at 30 June 2023.

DigitalX Limited
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Note 21. Share-based payments

Shares under option and warrant

As at the date of this report, there are 45,686,729 options, 55,839,003 warrants and 5,357,141 performance rights to subscribe for unissued ordinary shares in the company, comprising:

Date granted	Vesting Date	Class	Exercise price	Expiry date	Number of shares under option/warrant/right
Options					
10 December 2018	10 December 2018	Unlisted	\$0.220	10 December 2023	2,000,000
10 December 2018	10 December 2018	Unlisted	\$0.250	10 December 2023	3,000,000
10 December 2018	10 December 2018	Unlisted	\$0.300	10 December 2023	4,000,000
11 July 2019	11 July 2019	Unlisted	\$0.100	30 June 2024	2,500,000
6 December 2021	6 December 2021	Unlisted	\$0.100	30 June 2024	2,500,000
11 April 2022		Unlisted	\$0.091	11 April 2027	1,415,094
11 April 2022		Unlisted	\$0.118	11 April 2027	1,470,588
11 April 2022		Unlisted	\$0.153	11 April 2027	1,530,612
11 April 2022		Unlisted	\$0.199	11 April 2027	1,630,435
29 August 2022		Unlisted	\$0.110	29 August 2025	15,640,000
29 August 2022		Unlisted	\$0.050	9 September 2023	10,000,000
					<u>45,686,729</u>
Warrants					
9 March 2021	9 March 2021	Unlisted	\$0.100	9 March 2024	48,981,582
9 March 2021	9 March 2021	Unlisted	\$0.113	9 March 2024	6,857,421
					<u>55,839,003</u>
Performance rights					
10 October 2022	30 June 2023	Unlisted	\$0.033	30 June 2023	1,964,285
10 October 2022	30 June 2023	Unlisted	\$0.033	30 June 2023	1,964,285
10 October 2022	30 June 2023	Unlisted	\$0.033	30 June 2023	1,428,571
					<u>5,357,141</u>

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.

Performance rights issued to Chief Executive Officer

Item	Tranche 1	Tranche 2	Tranche 3
Volatility (%)	0%	0%	0%
Risk-free interest rate (%) – range	0%	0%	0%
Expected life of option (years)	8 months	8 months	8 months
Exercise price per terms & conditions	\$0	\$0	\$0
Underlying security spot price	\$0.033	\$0.033	\$0.033
Grant date	10/10/2022	10/10/2022	10/10/2022
Expiry date	30/06/2023	30/06/2023	30/06/2023
Valuation per right	\$0.033	\$0.033	\$0.033
Number issued	1,964,285	1,964,285	1,428,571
Vesting condition	Non-market, performance. Revenue greater than \$5.5m.	Non-market, performance. The consolidated entity holding funds of not less than \$90m.	Non-market, performance. Achievement of eNPS (employee net promoter score) of not less than 30.

Note 21. Share-based payments (continued)

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. There were no performance rights issued during the period.

Shares Issued during the period

There were 3,075,000 shares issued during the period, of these 1,800,000 were issued to the following KMP's; Jonathon Carley (650,000), David Beros (650,000) and Lisa Wade (500,000).

Share-based payments expense for the year ended 30 June 2023 is \$273,092, comprised of:

- Ordinary shares issued to key management of \$95,325
- Grant date fair value of options, warrants and performance rights, expensed proportionately through to vesting date of \$177,767.

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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Note 22. Events after the reporting period

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected the consolidated entity'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			
30 August 2023	Due to the volatile nature and the materiality of the digital assets held, we disclose the value of material digital assets held by the consolidated entity, excluding the DigitalX Fund and DigitalX BTC Fund and unlisted digital assets, as at the close date of the 30 August 2023.			
Coin	Number of coins held at 30 June 2023	\$AUD Spot price at 30 June 2023	\$AUD Spot price at 30 August 2023	\$AUD Pro-forma impact
BTC	146.16	45,753	45,123	(92,018)
				-