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ASX ANNOUNCEMENT 28 OCTOBER 2020
SEPTEMBER 2020 QUARTERLY REPORT

DigitalX Limited (ASX:DCC, **DigitalX** and **the Company**) provides the following report on activities completed in the quarter ended 30 September 2020.

HIGHLIGHTS

- **Change in reporting currency from US dollars to Australian dollars**
- **Appropriate management of working capital oversees a modest cash outflow**
- **DigitalX Bitcoin Fund listed on Powerwrap wealth management platform**
- **Progress of development of first FinTech and RegTech products**

QUARTERLY OVERVIEW

A. Summary of Working Capital Position

DigitalX had cash, listed digital assets and liquid unlisted investments of over AU$11.2m in value as at 30 September 2020.[1]

Name	Value ($AUD)
Australian Dollars	$4,051,033
Bitcoin[2]	$3,253,136
Fund units[3]	$3,679,403
Other liquid investments	$279,211
Total	**AUD$11,262,784**

[1] Since the end of the quarter, the Bitcoin price has increased to $19,168 at the date of this report.
[2] Total Bitcoin in treasury at 30 September 2020 was 215.95.
[3] Includes total units in the DigitalX BTC Fund and DigitalX Fund based on the respective NAV at 30 September 2020.
[4] Total excludes amounts for tokens pending listing and/or for which an active market is not observable.
[5] USD/AUD spot rate at the quarter ended 30 September 2020 was $1.39638.

Liquid assets for the period increased by a total of $0.9m up **8.56%** from the June 2020 quarter. This was primarily as a result of stronger digital asset prices compared to the previous quarter with the price of Bitcoin increasing **13.57%** over the quarter.

The operating cash outflow for the quarter was $339k with receipts of $220k[1]. This represents a quarter on quarter decrease in outflows of **2.3%**.

1 Total includes $113k receipts from customers and $107k in government incentives

Expenditure incurred during the comprised predominantly of:

- Staff costs - $208k, down on prior quarter of $277k primarily due to staff salary reductions and Director fees to be received in shares, subject to Shareholder approval, in lieu of cash;
- Administration and corporate costs - $325k, up on prior quarter of $169k primarily due to the Group's annual insurance renewals of $120k paid in July 2020.

In accordance with ASX Listing Rule 4.7C.3, $57k was paid to related parties or their associates during the quarter, comprising Executive Director salary & superannuation, Non-Executive Director superannuation, and legal fees paid to Steinepreis Paganin (of which Mr Hicks is a Partner).

B. Business Activities

Overview

DigitalX continues to build upon its dual business strategy of growing its funds management division as well as utilising its experience and skill sets to develop new RegTech and FinTech products. During the last quarter, progress has been made in relation to each of these areas, with increased work on the promotion and growth of the funds management division, including the engagement of new staff focused on the growth of the Company's two funds, the DigitalX Bitcoin Fund and the Digital Asset Fund. In addition, a key focus for the Company has been to establish its first DLT application after an extensive research and development program during the year. In addition to the research and development, consulting activities, including workshops with multinational corporations, have assisted in determining the product vision for the Company.

The Company continued to operate under the cost saving measures announced to the market in April 2020.

BLOCKCHAIN CONSULTING AND DEVELOPMENT

Product Development - FinTech and RegTech Applications

Development of the Company's first DLT application commenced during the quarter after evaluating the market opportunity to prioritise a number of FinTech and RegTech related products by the DLT working group. The six-week development program is on track to conclude in early November, upon which the first version of the application will be released to a target group of listed company early adopters as part of the product launch strategy.

This initial application has been built with the Digital Asset Management Language (**DAML**) developed by Digital Asset Holdings, which will allow for enhanced compatibility with global financial market providers who are in partnership with Digital Asset Holdings to adopt DAML based technology infrastructure. [2]

In addition to the launch of this first product as a commercial venture, the Company has used the development program to deepen the expertise of its product development team for the purpose of offering greater capabilities to customers in the blockchain consulting and development market.

Consulting - Consensus Driven Audit Platform

The Company concluded the deliverables for this engagement for smart contract and product management services on completion of the blockchain based joint venture accounting system for a large global accounting firm.

2 An example of this is the Hong Kong Exchange (https://www.ledgerinsights.com/hong-kong-exchange-digital-asset-blockchain/)

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The Proof of Concept (**PoC**) was successfully delivered on time, and was demonstrated to a global oil and gas company using a portion of their operational data. The demonstration was received positively, and discussions are in progress for extending the project from proof of concept to pilot phase.

xbullion

xbullion offers digitally transferable ownership of physical gold bullion that is vaulted, audited and insured. xbullion gold is supported by technical infrastructure, supply agreements, partnerships and an online customer portal. xbullion allows investors to acquire digital ownership of physical gold bullion at a fraction of the cost compared to traditional measures.

xbullion underwent extensive testing, including audit by independent technical audit partners during the period with positive results. In late September 2020, xbullion publicly launched on the Zipmex portal and has already begun offering xbullion gold with AUD, THB, IDR, USD and SGD currency pairs[3].

Highlighting the advantage of digital finance, xbullion holders can generate a positive 4% p.a yield, paid daily, on their gold holdings by depositing their holding at the Zipmex exchange. This provides digital gold owners with an effective gold savings product.

Following the successful launch of the xbullion gold product, the project has developed a roadmap of enhancements including additional integrations with exchanges and suppliers, and additional products. Given DigitalX's involvement with the project to date and strong technical expertise it expects the execution of this roadmap may lead to additional work for the Company.

DigitalX has a 15% interest in xbullion.

DIGITALX ASSET MANAGEMENT

DigitalX is the investment manager of digital asset investment products that provide qualified investors a secure and easy way to access digital asset exposure. The Company operates the DigitalX Bitcoin Fund and the Digital Asset Fund, a diversified basket of leading digital assets.

In the September 2020 quarter, the DigitalX Bitcoin Fund returned **14.11%** and the Digital Asset Fund returned **23.31%**. Management continued to work on improving the accessibility of the Bitcoin Fund which led to an additional wealth platform listing on Powerwrap. Australia's wealth management industry currently has just shy of $1 trillion on wealth platforms.[4]

After consultation with financial advisors and traditional market participants into further improving accessibility, the DigitalX Bitcoin Fund is currently going through a research ratings assessment with a leading Australian ratings house.

The funds management team was expanded during the quarter with the addition of Mr Matt Harry. Mr Harry has 15 years' experience in traditional financial markets as well as 3 years' managing digital asset funds. DigitalX's digital assets being managed are approaching $10 million. These funds haven't grown as fast as hoped, however management has a high degree of confidence in the structure of the products and continues to make improvements towards accessibility and awareness of the products.

DigitalX is a first mover in Australia in digital asset funds management and structured the fund products with advice from institutional partners and leading professional service firms. The Company has industry expertise, experience and brand recognition particularly in regard to the alternative investment market and

[3] https://zipmex.com/announcements/zipmex-offers-digital-gold-token-xbullion/
[4]https://www.afr.com/companies/financial-services/wealth-platforms-brace-for-westpac-s-unleashed-panorama-20200505-p54pvy

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expects these competitive advantages to support the operation when new traditional market participants enter the market.

C. Corporate Activities

Change in reporting currency

As foreshadowed in the Company's previous quarterly report, effective from 1 July 2020 the Company changed its functional currency from US dollars to Australian dollars.

Consistent with this change, the presentation currency will also change to Australian Dollars, which means that financial information in the Company's quarterly reports, half-year and full year accounts will be presented in Australian dollars.

This decision was made as a result of the focus on Australian markets through the Company's digital asset funds, consulting activities and the new product development combined with a reduction in staff in the United States. Furthermore, the Company notes that the sourcing of reliable pricing in Australian dollars for its cornerstone asset, Bitcoin, has also improved.

As this is the Company's first quarterly report for the 2021 financial year there has been no change to comparatives required in this report.

Changes in Securities

During the quarter ended 30 September 2020, the Company issued the following securities:

- 1,136,634 ordinary shares issued on satisfaction of performance milestones;
- 1,851,852 ordinary shares issued on conversion of options at $0.0324 per share;
- 3,400,000 ordinary shares issued on conversion of options at $0.0324 per share;
- 2,561,728 ordinary shares issued on conversion of options at $0.0324 per share;
- 2,600,000 ordinary shares issued on conversion of options at $0.0324 per share; and
- 10,000,000 options exercisable at $0.05 expiring on 9 September 2023.

Annual General Meeting

The Company's Annual General Meeting will be held at 10:00am (WST) on 26 November 2020.

D. Outlook

The market for the Company's operations is improving, led by the narrative towards digital assets and blockchain shifting to a positive one.

The Asset Management division continues to enhance its personnel, marketing and distribution capabilities and is well placed to receive further funds on the back of the institutionalisation of the Bitcoin market.

Recent global entrants such as Square Inc. and Paypal Holdings have shifted the view of Bitcoin from a speculative investment and nascent technology to becoming a reliable long-term treasury asset as well as legitimised payment protocol.

The product management division is progressing well with the development of a MVP application as well as a go to market launch strategy for the product. With the quantum of investment to date in the underlying infrastructure in the DLT marketplace, the cost structure for developing products on top continues to reduce.

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The Company looks forward to updating the market on its product development efforts during November 2020.

- Ends-

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About DigitalX

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

www.digitalx.com
https://digitalx.fund/

APPENDIX 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity

DigitalX Limited

ABN	Quarter ended ("current quarter")
59 009 575 035	30 September 2020

Consolidated statement of cash flows		Current quarter $AUD'000	Year to date (3 months) $AUD'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	113	113
1.2	Payments for		
	(a) research and development	-	-
	(b) advertising and marketing	(14)	(14)
	(c) leased assets	-	-
	(d) staff costs	(208)	(208)
	(e) administration and corporate costs	(325)	(325)
	(f) professional fees	(23)	(23)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	11	11
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	107	107
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(339)**	**(339)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(3)	(3)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $AUD'000	Year to date (3 months) $AUD'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(3)**	**(3)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	337	337
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**337**	**337**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	4,059	4,059
4.2	Net cash from / (used in) operating activities *(item 1.9 above)*	(339)	(339)
4.3	Net cash from / (used in) investing activities *(item 2.6 above)*	(3)	(3)
4.4	Net cash from / (used in) financing activities *(item 3.10 above)*	337	337

+ See chapter 19 of the ASX Listing Rules for defined terms.

Consolidated statement of cash flows		Current quarter $AUD'000	Year to date (3 months) $AUD'000
4.5	Effect of movement in exchange rates on cash held	(3)	(3)
4.6	**Cash and cash equivalents at end of period**[1]	**4,051**	**4,051**

Note 1: At the date of this report, the Group also holds Bitcoin, listed digital assets and other unlisted investments not included above but which are considered to be highly liquid and can be converted into cash when required as set out on page 1 of the Quarterly Activities Report.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $AUD'000	Previous quarter $AUD'000
5.1	Bank balances	4,051	4,059
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**4,051**	**4,059**

6.	Payments to related parties of the entity and their associates	Current quarter $AUD'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1[2]	57
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note 2: Amounts paid to related parties includes Executive Director salary and superannuation, Non-Executive Director superannuation, and legal fees.

7.	Financing facilities *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	Total facility amount at quarter end $AUD'000	Amount drawn at quarter end $AUD'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	Unused financing facilities available at quarter end	-
7.6	Description of facilities	
-		

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8.	Estimated cash available for future operating activities	$AUD'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(339)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,051
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,051
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	**11.95**

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5

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

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable

8.6.3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 28 October 2020

Authorised by: Board of DigitalX Limited

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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