

ASX ANNOUNCEMENT 26 APRIL 2021

MARCH 2021 QUARTERLY REPORT

HIGHLIGHTS

- Liquid assets up to \$46.4m (122% QoQ increase)
- Cash receipts up to \$265k (77% QoQ increase)
- Quarterly revenue of \$713k (232% QoQ increase)
- Funds under management of \$31.9m (237% QoQ increase)
- A\$8.8m in capital raised at 9c per share with a 1:2 warrant
- Development of Drawbridge technology to become one of the first apps on ASX's DAML environment
- Drawbridge selected by Commonwealth Bank of Australia and RegTech Association as a finalist for Accelerate Regtech Conference 2021
- MoU signed with Sell My Shares for planned revenue creation from Drawbridge share sale facility

DigitalX Limited (ASX:DCC, 'DigitalX' or 'the Company') is pleased to provide its Appendix 4C cash flow statement for the quarter ended 31 March 2021 along with the following operational update.

During the quarter, DigitalX saw strong growth across all key metrics and continued to focus on commercialising its innovative RegTech solution, Drawbridge.

QUARTERLY OVERVIEW

A. Summary of Working Capital Position

DigitalX had cash, listed digital assets and liquid unlisted investments of over AU\$46.4m in value as at 31 March 2021.¹

Name	Value (\$AUD)
Australian Dollars	\$10,920,922
Bitcoin ²	\$16,713,298
Fund units ³	\$18,429,693
Other liquid investments	\$371,249
Total	AUD\$46,435,162

¹ Since the end of the quarter, the Bitcoin price has decreased to USD\$51,520 at the date of this report.

² Total Bitcoin in treasury at 31 March 2021 was 215.95.

³ Includes total units in the DigitalX BTC Fund and DigitalX Fund based on the respective NAV at 31 March 2021.

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 31 March 2021 was \$1.31352

Liquid assets for the period increased by a total of \$25.5m, up 122% from the December 2020 quarter to \$46.4m. The significant growth in liquid assets was a result of the strong performance of Bitcoin and the DigitalX digital asset funds, as well as the proceeds from the US institutional capital raising undertaken during the quarter.

The operating cash outflow for the quarter was \$385k with receipts of \$267k.

The Group noted an increase in cash receipts for the quarter of \$117k from \$150k to \$267k primarily due to increased fees from the funds under management division (up to \$177k from \$33k) in line with the growth of funds under management.

The Group is also pleased to note that due to the strong performance of the Bitcoin and Digital Asset Funds it has generated management and performance fees for the quarter of \$651k (of which \$555k is to be received in the June quarter).

Overall cash expenditure for the quarter was 11% higher, up \$64k from \$594k to \$658k. The marketing expenditure for the funds management division and commercialisation of the Drawbridge product was the primary driver of the increase.

Expenditure incurred during the quarter was comprised predominantly of:

- Staff costs of \$207k which represents a consistent outflow for the quarter with no major changes in staffing levels for the quarter, with the exception of the recruitment of a new technical lead to accelerate the development of Drawbridge.
- Administration and corporate costs of \$293k consistent with the prior quarter.
- Professional fees of \$82k up on prior quarter of \$50k primarily due to compliance costs associated with the Group's half-year reporting tax compliance. The Group also incurred \$7k for professional fees related to external advice on the commercialisation of Drawbridge.
- Marketing costs of \$76k up on prior quarter of \$17k inline with the accelerated marketing for Drawbridge and the funds management division.

In addition to the operating cash flows noted above, the Group incurred investing expenditure of \$58k for the quarter related to the development of the Drawbridge application, \$322k for the follow on investment in Bullion Asset Management Services Pte Ltd (BAM) as previously [announced to the market](#) and \$800k for costs associated with the capital raising.

In accordance with ASX Listing Rule 4.7C.3, \$50k was paid to related parties or their associates during the quarter, (\$49k prior 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

At the beginning of the quarter, DigitalX held a Strategy Day to align and focus its strategy for CY 2021, the outcome of which saw the Company set a goal of growing the funds management division and commercialising RegTech DLT based solutions for capital market applications. The remainder of the quarter has seen the execution of key decisions made on the market positioning, pricing, and customer acquisition plans for the Company's products which include the DigitalX Bitcoin Fund, Digital Asset Fund, and Drawbridge RegTech platform for securities trading policy compliance.

DIGITALX ASSET MANAGEMENT

DigitalX is the investment manager of digital asset investment products that provide qualified investors with a secure and accessible way to invest in Bitcoin and the digital asset sector. The Company operates two professionally managed wholesale funds, the DigitalX Bitcoin Fund and the Digital Asset Fund, a diversified basket of leading digital assets. The DigitalX digital asset funds solve the technical and administrative challenges of investing in this emerging asset class.

The business is focused on increasing funds under management through both inflows and performance. Over the quarter, the funds under management of the group increased by 237% to \$31.9m. The increase in funds under management corresponded with an increase in revenue generation for DigitalX, with revenue for the division over the period of \$651k.

DigitalX ramped up marketing activities during the quarter which has led to media appearances in tier-one media outlets such as the *Australian Financial Review (AFR)*, *The Australian* as well as finance news web sites such as FNArena, Eureka Report and Switzer. In addition, the Company was covered in New Zealand's largest mainstream media platform as the DigitalX digital asset funds became available for New Zealand and European investors over the period.

The DigitalX funds have received over 50 investments to date which continue to grow on a bi-monthly basis. The DigitalX funds have maintained strong retention rates highlighting that the investment management team's message that investing in this disruptive asset class for the long term as a portfolio diversifier with significant upside potential is being received positively.

The investment management team have upgraded the due diligence framework for the Digital Asset Fund which is assisting with performance, the production of high-quality research and the governance process and which should continue to deliver results over the longer term.

BLOCKCHAIN CONSULTING AND DEVELOPMENT

FinTech and RegTech Businesses - Drawbridge

Drawbridge's digital securities trading policy platform is the first step in achieving the product's vision to become the digital governance standard for the world's 630,000 publicly listed companies. The Company has continued to grow and engage with customer leads for the Drawbridge application, with prospective client proposals now beginning to progress close to a purchasing decision. To date, four ASX-listed companies including DigitalX have signed on as paid customers under the early adopter programme which has now closed.

The start of the customer acquisition strategy has seen the Company focused on speaking directly with target customers to learn how the product can work within their organisation, while also educating them about the benefits and capabilities of Drawbridge. Discussions to date have been received positively and the Company is working with prospective customers on proposed implementation plans for Drawbridge.

The Company has also undertaken sales and marketing strategies to expand the top of the customer funnel for Drawbridge. Activities have included advertorials in the *AFR*, targeted LinkedIn advertising campaigns, and sponsorships of industry events among its target customer base of CFOs, company secretaries and compliance executives. Additionally, the team has developed an online tool for this segment to calculate the VWAP (volume weighted average price) over selected dates for any ASX listed companies' share price. The purpose of this tool is to capture leads from the stream of searches that occur daily for this type of service in order to build customer relationships for introducing more users to Drawbridge.

Drawbridge continues to gain recognition within the technology and regulatory compliance industries. During the quarter, the Company was selected as a finalist by a panel of Commonwealth Bank and RegTech Association judges as one of five global finalists to pitch Drawbridge to over 1,000 delegates at the 2021 Accelerate RegTech conference. Additionally, DigitalX featured at the Australian Blockchain Week in conjunction with the Head of ASX DLT Solutions for a panel event titled 'ASX DLT Solutions: What's actually happening?' on 21 April 2021.

From a technical perspective, the Drawbridge product is continually being improved with development work for the planned migration pathway to becoming one of the first applications to utilise the ASX's DAML environment well underway. The planned changes will give DigitalX a valuable platform for all DAML and ASX DLT application development; both for Drawbridge and any future RegTech projects.

Additional new features as part of Drawbridge's product roadmap are also continually being prioritised for future design and development. Work to implement a share sale facility has commenced, with the objective of building in an additional revenue stream for the product by enabling simple trading of holdings for employees required to use the Drawbridge app to obtain trading authorisation from their employer. In pursuit of this, the Company has executed an MoU with Sell My Shares, one of Australia's leading one-off share sale brokers.

BAM and xbullion

DigitalX signed a Master Service Agreement and made a US\$250k follow-on investment with BAM, a Singapore-based bullion technology business that launched xbullion. xbullion is digitally transferable ownership of physical gold bullion that is vaulted, audited and insured for a fraction of the cost of traditional measures.

DigitalX's 17.5% ownership in BAM is valued at \$1,621,706 based on the capital raising which was led by ASX-Listed gold development firm Theta Gold Mines Ltd (ASX:TGM). DigitalX continued to build out new technical infrastructure for the BAM business including the tools to enable additional commodities and assets to be delivered to market by BAM over the course of 2021.

C. Corporate Activities

During the quarter the Company [announced](#) it had issued 97,963,164 shares at a price of \$0.09 to raise \$8.8m (before costs). In addition to the new shares, the Company issued 55,839,003 warrants. 48,981,582 warrants were issued to investors in the Placement, exercisable at \$0.10 each and expiring on 9 March 2024. A further 6,857,421 warrants were issued as part consideration for capital raising services in relation to the Placement, exercisable at \$0.1125 each and expiring on 9 March 2024.

During the quarter, the Company also issued 19,500,000 ordinary shares to Directors on conversion of performance rights vested during the quarter.

D. Outlook

DigitalX CEO Leigh Travers said: *"DigitalX is well capitalised and well-positioned to deliver growth in both of our businesses in 2021. There is a growing focus for improving corporate governance, particularly in light of the ESG priorities from investors, and DigitalX enables this with Drawbridge. Meanwhile, the digital asset funds management business is starting to gain traction on the back of a growing appreciation of the sector as a legitimate asset class and DigitalX is at the forefront of developments within this market."*

With a unique position on the ASX within this emerging technology and investment sector, we continue to prioritise business growth, whilst reviewing businesses with a strong synergy to grow our market position. Alongside the business growth, the treasury position (cash and Bitcoin) is an area of focus for DigitalX to deliver returns while maintaining strong controls around security and governance."

- Ends-

Authorised by the Board of DigitalX Limited.

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About DigitalX

DigitalX Limited (ASX: DCC) is a technology and investment company focused on blockchain consulting, digital asset funds management, and RegTech. DigitalX's consulting division designs and develops blockchain technology applications for business and enterprise organizations. Through its asset management division, DigitalX provides low-cost traditional asset management products for qualified investors looking to gain exposure to the growing alternative asset class of digital assets, including Bitcoin. DigitalX is currently commercialising Drawbridge, the Company's first RegTech solution that supports listed companies in better managing their compliance and corporate governance policies. With Drawbridge, companies can manage employee and director share trading approvals in order to safeguard their reputations.

www.digitalx.com | <https://digitalx.fund/> | www.opendrawbridge.io

APPENDIX 4C

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

Name of entity

DigitalX Limited

ABN

59 009 575 035

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$AUD'000	Year to date (9 months) \$AUD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	267	530
1.2 Payments for		
(a) research and development	-	-
(b) advertising and marketing	(76)	(107)
(c) leased assets	-	-
(d) staff costs	(207)	(618)
(e) administration and corporate costs	(293)	(942)
(f) professional fees	(82)	(155)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	25
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	115
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(385)	(1,152)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(5)	(8)
(d) investments	(322)	(322)
(e) intellectual property	(58)	(143)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$AUD'000	Year to date (9 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	(385)	(473)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	8,817	8,817
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	337
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(800)	(807)
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	8,017	8,347

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,542	4,059
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(385)	(1,152)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(385)	(473)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,017	8,347

Consolidated statement of cash flows		Current quarter \$AUD'000	Year to date (9 months) \$AUD'000
4.5	Effect of movement in exchange rates on cash held	132	140
4.6	Cash and cash equivalents at end of period¹	10,921	10,921

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	10,921	3,542
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)	10,921	3,542

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	50
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 <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$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

-

8.	Estimated cash available for future operating activities	\$AUD'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(387)
8.2	Cash and cash equivalents at quarter end (item 4.6)	10,921
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	10,921
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	28.22

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.

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: 26 April 2021

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.