

ASX ANNOUNCEMENT

29 June 2021

DigitalX recognises AUD\$8.33m in revenue for advisory services undertaken in FY19

- DigitalX recognises AUD\$8.33 million¹ in revenue received in June 2021 relating to advisory services announced in FY 2019
- The Company also expects to record a material increase of AUD\$8.33 million in the value of its digital asset portfolio following the receipt of digital assets from the Human Protocol Foundation
- The Human Protocol Foundation is a foundation formed to support the open source HUMAN Protocol, a way to organize and compensate human labour via blockchain technology in the Artificial Intelligence marketplace

DigitalX Limited (ASX: DCC) ('DigitalX' or 'the Company') is pleased to provide the following update on its revenues as a result of the recent notification of the issue of digital assets to the Company by the Human Protocol Foundation for work undertaken by the Company in CY2018. The issue and receipt of these digital assets from the Human Protocol Foundation is expected to result in an increase in the Company's digital asset holdings of approximately AUD\$8.33 million (US\$6.25m at a USD/AUD rate of \$1.33) following its entitlement to receive these assets for services undertaken during the 2019 financial year.

Background

In the 2019 financial year (refer to the 2019 March Quarterly announcement dated 30 April 2019), DigitalX announced that it had been engaged to provide advisory services to the Human Protocol Foundation ('the Foundation'). In addition to cash fees, which have previously been received for these advisory services, DigitalX was entitled to further receive 1.25% of the Foundation's total supply of 1 Billion tokens (the HMT token).

Over the past few years, the Foundation has continued to grow the usage of their platform and in June 2021 it announced that it would launch its HMT token on the Ethereum mainnet. In support of this development, the Foundation completed a public token sale via a token offering on the CoinList platform to residents outside the US, Canada, China and other excluded jurisdictions on or around 18 June. The token offering used a two-tiered pricing model on the terms below:

	Option 1	Option 2
Price per token	US \$0.50	US \$0.75
Investment maximum	US \$2,000	US \$1,000
Escrow period	12 month lockup followed by 12 month linear release	Released on or around August 10, 2021
Available tokens	100M	20M
Fully diluted valuation	US \$500M	US \$750M

In advance of the CoinList sale, a US\$22m private sale of tokens was conducted by the Foundation in April 2021 at a valuation of US\$250m. The Company did not participate in the token offering and had no role in promoting the recent token offerings.

Accounting Treatment

Following the receipt of confirmation of the entitlement to the tokens, the Company has been working with its auditor to ascertain the correct method of recognising the contract asset. Given that the tokens are being issued as consideration for service obligations delivered by the Company and that the performance obligations have been satisfied, the Company is of the view that the receipt of the tokens complies with AASB 15 (Revenue from Contracts with Customers), and as such will recognise the value of the tokens to be received as revenue received for contract services provided, with that revenue of AUD\$8.33m to be recognised in June 2021.

The 12,500,000 tokens to be received will be escrowed for 12 months and then released linearly in equal amounts over a further 12 months. These are the same terms as the Option 1 public sale undertaken by the Foundation, which raised the majority of the total US\$60M CoinList offering. On the basis of this Option 1 public sale pricing event, DigitalX's tokens will have a fair value of AUD\$8.33m (using a USD/AUD exchange rate of \$1.33) and will be recognised as a non-financial asset for the purposes of fair value this current quarter.

About HUMAN Protocol

The HUMAN Protocol is a way to organize and compensate labour, for example to build data sets machine learning, via smart contracts secured by blockchain technology. HMT is the native token of the Protocol and the primary mechanism of value transfer within the network. HUMAN Protocol enables API-driven platforms that automatically manage the labelling, evaluation, and data delivery process for machine learning and other applications at web scale, giving Artificial Intelligence/Machine Learning systems new capabilities to respond to the world via human insight. Machine learning companies seeking to have data labelled fund their digital wallets with HMT; the labour pools or workers on the other end, who complete the work, are then paid in HMT. Network service operators are also compensated in HMT.

Looking forward

DigitalX does not provide advisory services to digital asset companies as part of its ongoing business activities. The Company will update the market on any material changes to its digital asset portfolio as and when they do occur, and in line with the relevant accounting standards.

Cautionary Statement – Digital Asset Investments

- *Investments into digital assets are high risk in nature as digital assets have shown over their history to be highly speculative.*
- *Digital asset related businesses have a number of risk factors, including but not limited to:*
 - *The development of new regulatory frameworks involving digital assets around the world;*
 - *digital assets have recently been the subject of regulatory comment in jurisdictions around the world, and regulators continue to issue guidance on the relevance of their existing securities and financial services laws with regard to digital assets. In Australia, investors can refer to ASIC Information Sheet 225 on digital assets from May 2019; and*
 - *digital assets, like other monetary products, are subject to anti-money laundering and counter-terrorism funding legislation.*

-ENDS-

Authorised by the Board of Directors 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.

¹ <https://www.xe.com/currencytables/?from=AUD&date=2021-06-18>