

ASX ANNOUNCEMENT 29 OCTOBER 2021

SEPTEMBER 2021 QUARTERLY REPORT

HIGHLIGHTS

- Acquisition of leading online share execution business, Sell My Shares, to accelerate Drawbridge commercialisation and provide additional opportunities for growth in existing profits
- Strong growth in funds under management for the quarter of \$6.36m (28% QoQ increase) following new investor funds and a surging market for digital assets
- Building support for Drawbridge as listed companies sign-on and early adopter program (EAP) participants renew for another 12 months
- A robust liquid assets position of \$53m following new digital asset holdings and rising digital asset prices

DigitalX Limited (ASX:DCC, 'DigitalX' or 'the Company') is pleased to provide its Appendix 4C cash flow statement for the quarter ended 30 September 2021 along with the following operational update.

QUARTERLY OVERVIEW

A. Summary of Working Capital Position

DigitalX had cash, listed digital assets and liquid unlisted investments of over AU\$53m in value as at 30 September 2021.

Name	Value (\$AUD)
Australian Dollars	\$7,209,927
Bitcoin ²	\$13,083,259
Fund units ³	\$15,606,567
Human Protocol	\$16,160,310
Other liquid investments ⁴	\$1,030,996
Total	AUD\$53,091,059

¹ Since the end of the quarter, the Bitcoin price has increased from \$USD43,791 to USD\$60,705 at the date of this report.

² Total Bitcoin in treasury at 30 September 2021 was 215.95.

³ Includes total units in the DigitalX BTC Fund and DigitalX Fund based on the respective NAV at 30 September 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 30 June 2021 was \$1.38344

Strong growth in digital assets following Human Protocol listing and market recovery

Liquid assets for the period increased by a total of \$20m, up 60.75% from the June 2021 quarter to \$53m. The increase was attributable to a strong rise in the digital asset market with Bitcoin up 25% over the quarter. As previously disclosed, the Group's digital asset position was also improved by the listing of the Human Protocol token with the value of the asset increasing to \$16.16m at the end of the quarter.

Cash receipts for the June quarter of \$191k were down on the previous quarter due to performance fees of \$571k received in the previous quarter.

Overall cash expenditure for the June quarter was 36% higher at \$1m (June quarter: \$738k). The primary driver behind this increase was a full quarter with the higher staff costs with several new team members joining the product, corporate and funds management teams over the previous quarter. The Company also incurred a number of annual and one-off corporate costs during the quarter including annual insurance renewals of \$108k, year-end compliance costs of \$93k, costs associated with the OTCQB listing of \$27k, and costs associated with the acquisition of Sell My Shares of \$25k.

Expenditure incurred during the quarter was comprised predominantly of:

- Staff costs of \$340k which represents a decrease of \$18k on the prior quarter. This decrease was solely due to the prior quarter including an extra pay run.
- Administration and corporate costs of \$371k, up \$173k on the prior quarter. A number of factors contributed to this increase including the timing of payments, insurance renewal of \$108k and annual listing fees of \$39k.
- Professional fees of \$226k, up on prior quarter level of \$113k primarily due to year-end compliance costs associated with the Group's year-end reporting obligations, legal fees associated with the acquisition of Sell My Shares, and fees associated with the Group's listing on the OTCQB market in the US.
- Marketing costs of \$62k, slightly down the prior quarter level of \$69k.

In addition to the operating cash flows noted above, the Group incurred investing expenditure of \$101k for the quarter related to the development of the Drawbridge application and \$1.89m for the acquisition of Sell My Shares (as [previously announced](#) to the market).

In accordance with ASX Listing Rule 4.7C.3, \$144k was paid to related parties or their associates during the quarter, (up on the prior quarter level of \$81k), comprising Executive Director salary, superannuation and pay out of final leave entitlements, Non-Executive Director superannuation, and legal fees paid to Steinepreis Paganin (of which DigitalX Chair Mr. Hicks is a Partner).

B. Business Activities

Overview

DigitalX's corporate objective is to generate a return for shareholders by growing the blockchain economy. In line with its strategy for achieving this, the company has been continuing to execute on opportunities to deliver shareholder returns through both the development of new blockchain technologies and investment in digital assets as an emerging asset class,

The Company's management and team continued to drive value for shareholders within the blockchain economy through initiatives that included:

- Acceleration of Drawbridge through the acquisition of leading online share sale execution business, Sell My Shares.

- Continued growth in the Company's Fund Management business through new hires, development of offerings and strong performance and growth in new funds.
- Managing treasury assets including the Company's bitcoin holding, fund units and other listed digital assets such as Human Protocol, which saw a significant increase in value during the period.

DIGITALX ASSET FUNDS MANAGEMENT

DigitalX is the investment manager of digital asset investment products that provide qualified investors with a secure and traditional method to invest into 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.

At the end of the quarter the funds under management **had grown to \$28.50m from \$22.14m** at the end of the June 2021 quarter **representing an increase of 28.7%** due to a combination of a stronger digital asset market and new funds raised for the quarter. As a result of the strong performance of the funds over the quarter the Company generated performance fees of \$0.12m to be received in October 2021.

The Company is also pleased to note that **it has surpassed \$10m** raised from investors for the fund (excluding DigitalX's own contributions) following another strong quarter of inflows with \$1.65m of new funds received. Pleasingly, the Company also notes limited redemptions despite the volatility in the digital asset market over the quarter.

The DigitalX Bitcoin Fund and the DigitalX Fund saw **impressive gains for the quarter (net of fees) of 21.34% and 37.96% respectively**. This takes the 12-month gains (net of fees) of 266.82% and 463.86% for the two funds. The DigitalX Fund continues to achieve superior returns over the Eureka Crypto Hedge Fund (ECHF) Index despite having a lower-risk mega-cap, liquid investment strategy.

In addition to the positive performance and new flows for the month the Company is pleased to note that it received approval for its CPD accredited training with the Financial Planners Association allowing it to deliver accredited training to financial planners. The DigitalX Bitcoin fund also commenced the process of obtaining a research rating with a leading Australian firm. The Company expects to receive the results of this in the following quarter. On receipt of this rating this would position DigitalX Bitcoin fund as one of the only rated managed digital asset funds in Australia.

The Funds Management team continues to expand with a new operations executive commencing during the quarter joining the company from a leading multinational investment bank.

As part of its ongoing strategy to provide more actively managed products the Company expects to add additional new hires in the coming months.

PRODUCT DEVELOPMENT

Drawbridge DLT Regtech Solution

Drawbridge's mission is to digitise the systems and processes for listed companies to achieve great governance outcomes. The Drawbridge application today helps companies solve common underlying challenges using new distributed ledger technologies, by taking share trading policies beyond simply a box ticking exercise, to ensure governance standards which previously existed only on paper are lived up to in reality.

During the quarter the focus has been on executing on updates to the commercialisation strategy for Drawbridge, which included a revised pricing model and **implementation of the ability for companies to sign-up for a free Drawbridge trial account**. This approach is based on significant and consistent feedback from existing and prospective customers, as well as being designed to take advantage of the acquisition of Sell My Share's trade execution services as means for Drawbridge users to buy and sell shares.

The results of the refined strategy have been immediate and positive, demonstrated by the on-boarding of a number of new customers and **conversion of existing customers who were part of the early adopter program to 12-month contracts**. Pleasingly, feedback from new customers has identified the acquisition of Sell My Shares, with the ability to provide an easy and compliant mechanism for their employees to trade shares, as a significant factor in their decision making process.

The ability for customers to sign up online through an expanded website¹ and try Drawbridge for free has been supported by a range of marketing activities generating a number of quality leads. As a result of this activity we have a pipeline of opportunities that span companies in mining, financial services, technology, food & beverage, communications and engineering. Furthermore, Drawbridge continued to gain industry recognition during the quarter, **receiving a feature in ASX Ltd's Annual Report** as a highlighted DLT app.

Acquisition of Sell My Shares

On 30 September 2021, the Company announced that it had acquired leading online share sale execution business, Sell My Shares.

The strategic acquisition has been made to accelerate the commercial development of Drawbridge, the Company's platform for listed companies to achieve better governance outcomes, which today provides a digital solution for managing internal share trading policy approvals to reduce insider trading risks.

A Memorandum of Understanding (MoU) signed between the Company and Sell My Shares, in February 2021, saw the parties investigate how the business's trade execution systems could facilitate the processing of employee trades once approved through the Drawbridge application.

Through this process, a deeper understanding of the Sell My Shares business identified a number of additional growth opportunities through the development of an expanded offering to its existing channel of customers, which resulted in the consideration and negotiation of an offer by the Company to acquire the business.

The benefits of the Sell My Shares acquisition include:

1. Integration to accelerate the commercialisation of Drawbridge

The integration of Sell My Share's backend trade execution systems to the Drawbridge application opens a pathway to enabling the compliant execution of internal trades for listed company customers, as well as an ability to grow and scale Drawbridge revenues through a brokerage-based business model.

¹ <https://www.opendrawbridge.io/securities-trading-policy-app>

2. Development of additional share market services using distributed ledger technologies.

Sell My Shares receives many customer requests for adjacent share market services such as finding lost shares and liquidating assets from deceased estates. These and other highly process driven areas of securities trading are **set to benefit from the improved capabilities of the ASX Distributed Ledger (DLT) system**, providing a strong base from which to grow new product offerings.

3. Optimisation of existing business and customer experience.

A number of focus areas to improve Sell My Shares' profitability have been identified, including strategies to increase customer conversion rates, and existing synergies for cost reduction that are presently duplicated within the DigitalX business.

DigitalX has paid upfront cash consideration of \$1,640,000 for Sell My Shares, plus a deferred consideration of \$250,000 subject to certain performance milestones. The acquisition is earnings accretive with no capital raising required.

The financial results of Sell My Shares will be included from 1 October 2021 onwards.

DIGITAL FINANCE CO-OPERATIVE RESEARCH CENTRE (CRC)

Following the successful funding of the Digital Finance CRC, the Company has begun early stage scoping activities in defining the project involvement and areas of research focus expected to commence early in 2022. The CRC brings together leading university researchers and to solve real world problems in partnership with industry. Current areas of interest for DigitalX include risk and investment management strategies for realising a return from digital assets on the corporate balance sheets, and how emerging digital organisational models such as Decentralised Autonomous Organisations (DAOs) can be used for coordination of real-world investment decisions.

BAM and xbullion

Bullion Asset Management Services Pte Ltd ('BAM') is a Singaporean bullion and digital asset business. DigitalX is a ~17.5% shareholder of BAM.

During the quarter xbullion continued the development of its sales channels through an additional listing of its digital gold product on tier one exchange, Bittrex.

In addition to this BAM also launched its next product SILV which represents digital silver on the blockchain.

C. Corporate Activities

Appointment of experienced executive, Greg Dooley, to the Board

During the quarter the Company appointed Mr Greg Dooley as a Non-Executive Director. Mr Dooley is an experienced corporate executive and was formerly the Managing Director of 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.

Mr Leigh Travers resigned as a Director of the Company on 6 August 2021. Mr Joel Ives was appointed as Company Secretary on 6 August 2021.

OTCQB Listing

During the quarter the Group progressed its listing on the OTCQB listing with the shares being upgraded following the end of the quarter.

Upgrading to the OTCQB offers the Company the opportunity to further build visibility, expand liquidity and further diversify its shareholder base in the US which has shown a deep understanding of blockchain and blockchain related companies with the companies like Coinbase (NASDAQ: COIN), Marathon Digital (NASDAQ:MARA), Riot Blockchain (NASDAQ:RIOT) and Microstrategy (NASDAQ: MSTR) all completing significant raisings, like DigitalX, during the last twelve months to further advance their blockchain related business or to acquire digital assets on balance sheet.

Adopting ESG Framework

The context in which the Company operates has been transformed by climate impact, nature loss, and social unrest around inclusion and working conditions. This new global environment is challenging the traditional expectations of corporations and redirecting investment capital. Global sustainable investment now tops \$30 trillion, up 68% since 2014 and tenfold since 2004². DigitalX is charting a course to build resilience and enhance our social licence through a greater commitment to long-term, sustainable value creation that embraces the wider demands of people, planet and shared prosperity.

The Board of the Company has resolved to adopt the World Economic Forum (WEF) ESG framework and instructed management to set up an impact measurement plan for each sustainability area which includes, but is not limited to, governance, anti-corruption practices, ethical behaviour, human rights, carbon emissions, land use, ecological sensitivity, water consumption, diversity and inclusion, pay equality and tax payments.

To ensure that DigitalX can measure, monitor, and report on its ESG disclosure progress, the Company has engaged impact monitoring technology platform Socialsuite to streamline the disclosure and ongoing ESG reporting process. The Company's goal is to demonstrate commitment and progress on making ESG disclosures, but more broadly, aims to progress a range of ESG benchmarks as set out by the WEF's ESG White Paper.

While our business is creating an inherent positive impact, the adoption of the WEF framework has already paid ESG dividends. The Company will update the market regularly on its ESG disclosure progress and seek to ensure that our business remains an impact investment for shareholders and local communities.

The Company has deployed Socialsuite's ESG Go technology platform to set its initial ESG baseline. With a tailored action plan, the Company will focus on delivering and reporting ongoing progress toward disclosing and improving ESG metrics and indicators.

Socialsuite's ESG Go reporting technology provides an easy way for investors and other stakeholders to assess the commitment and progress of the Company on its journey to create "best in class" ESG credentials and outcomes.

² Global Sustainable Investment Review 2018, Global Sustainable Investment Alliance, 2018, gsi-alliance.org

Annual Report

The Company lodged its annual report for the year ended 30 June 2021. A copy is available [here](#).

D. Outlook

DigitalX Acting Chief Operating Officer, Jonathon Carley said: *"This is an exciting time for the Company. We've executed on positive developments in all areas of the business with the acquisition of Sell My Shares, continued Drawbridge adoption through new customers and our EAP partners choosing to extend and pleasing growth in our funds under management and corporate treasury. We begin the quarter with positive momentum, a strong balance sheet and tailwinds in the digital asset market that has already seen Bitcoin hit new all time highs. In addition to this we look forward to accelerating the adoption of Drawbridge as we begin the integration of the Sell My Shares acquisition".*

- Ends-

Authorised by the Board of DigitalX Limited.

For further information, please contact:

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About DigitalX

DigitalX Limited (ASX: DCC, OTCQB: DGGXF) 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 | www.sellmyshares.com.au

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")

30 September 2021

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	191	191
1.2 Payments for		
(a) research and development	-	-
(b) advertising and marketing	(62)	(62)
(c) leased assets	-	-
(d) staff costs	(340)	(340)
(e) administration and corporate costs	(371)	(371)
(f) professional fees	(226)	(226)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(798)	(798)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(1,890)	(1,890)
(c) property, plant and equipment	(3)	(3)
(d) investments	-	-
(e) intellectual property	(101)	(101)
(f) other non-current assets	-	-

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	(1,994)	(1,994)

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	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,020	10,020
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(798)	(798)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,994)	(1,994)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

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	(18)	(18)
4.6	Cash and cash equivalents at end of period¹	7,210	7,210

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	7,210	10,020
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)	7,210	10,020

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	144
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, superannuation and payout of accrued entitlements, Non-Executive Director superannuation, and legal & consulting 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)	(798)
8.2	Cash and cash equivalents at quarter end (item 4.6)	7,210
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	7,210
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	9.03

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: 29 October 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.