ANNUAL REPORT

DIGITALX LIMITED

A.B.N. 59 009 575 035

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FOR THE YEAR ENDED 30 JUNE 2016

Directors

Alex Karis
Managing Director
Chief Executive Officer

William Brindise
Executive Director
Chief Trading Officer

Leigh Travers
Executive Director

Toby Hicks
Non-Executive Director

Company Secretary
Rodion Kostrykine

ABN
59 009 575 035

Registered Office and Principal Place of Business
Level 4, 16 Milligan Street
Perth WA 6000
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Auditor
Grant Thornton Audit Pty Ltd
Level 1
10 Kings Park Road
WEST PERTH WA 6005
Tel: +61 (8) 9480 2000
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Stock Exchange Listing
DigitalX Limited shares are listed on the Australian Securities Exchange.
ASX Code: DCC

Share Registry
Computershare Investor Services Pty Limited
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Perth WA 6000

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Perth WA 6840

Telephone: +61 (8) 9323 2000
Facsimile: +61 (8) 9323 2096
Email: perth.services@computershare.com.au

Website www.digitalx.com

Dear Shareholders,

The past year has been an eventful period for DigitalX and as we enter the new financial year, our progress has positioned us to feel the most confident we have ever been as we move forward into a critical and exciting stage of the company's development.

Our expansion into mobile bill payments and remittance has made exciting progress, having secured high profile partnerships with industry leaders that have validated our move into the sector and will spearhead the growth of our AirPocket solutions in the year ahead.

While there have been some board changes, the DigitalX team and I are confident that we now have the best team in place to build on our achievements of the last financial year and deliver value to shareholders by capitalizing on the opportunities we have created.

Operational Overview

One only needs to look at what we have achieved operationally in the past several months to understand our optimism.

Our mobile bill pay and remittance product, AirPocket, is making big inroads internationally with a global telco partnership with DigitalX and Telefónica International S.A.U. Telefónica's SMS campaign to promote AirPocket to 230 million user devices has commenced. Already, there has been thousands of downloads of AirPocket, and it's still early days of the campaign and we are expecting the rate of downloads to increase in the current quarter as marketing ramps up. We will update the market on these statistics later this month.

Telefonica's official launch of AirPocket on their network follows an extensive testing regime of DigitalX's solution by the telco, and progress in business development activities to date give us confidence in securing additional top tier partnerships with other industry leaders. Importantly, these partnerships and growing use of blockchain by global financial institutions, provide commercial validation of Airpocket's blockchain based technology as the most secure, transparent and cost effective infrastructure for mobile bill payments and remittance. Furthermore, they work to establish AirPocket as the go-to provider of this technology.

The DigitalX Direct liquidity desk delivered a record year in revenue and profit boosted by strong bitcoin price appreciation, global financial events such as "Brexit" and growth in global trading volumes.

In the last financial year, the decision was made to finalise our bitcoin mining operations and allocate our full capacity to driving the commercialisation of AirPocket. An objective review of our bitcoin mining operations and market forecasts for the space revealed disproportionate capital requirements for negligible benefit to shareholders. These resources can now be dedicated to driving the growth of Airpocket in the critical period of development ahead.

Outlook

The 2016 financial year has not been a smooth ride for shareholders despite the considerable operational achievements listed above. While many of the factors contributing to the volatility in our share price are beyond the Company's control, we are very optimistic about how the business is placed for FY2017.

Our partnerships with one of the world's leading telecommunications groups, Telefónica, is the beginning of the global rollout of AirPocket which continues to build momentum as we progress discussions with other global leaders looking to deploy AirPocket.

All hands are on deck to further cement DigitalX as a market leader in disrupting the global mobile bill payment and remittance markets by capitalising on its first-mover advantage in a market estimated to be worth around US$600 billion by the World Bank.

For good reason, I regularly like to point out the accomplishments of our team. They are truly All-Stars who put best practices and efforts each and every day. I also believe the mindset and prowess of our team to be

shareholder- oriented delivering quality products to users. At DigitalX we have hired some great people and they have stayed with us.

So the next time you're in Boston, MA, come in and meet the team. They are the best.

Sincerely,

Alex Karis
Managing Director and CEO

Introduction

The ASX Listing Rule 4.10.3 requires listed companies to disclose in their Annual Report the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council during the reporting period. It is structured along the same lines as the March 2014 ASX *Corporate Governance Principles and Recommendations (3rd Edition)*, with sections dealing in turn with each of the Council's 8 corporate governance principles. All these practices, unless otherwise stated, were in place for the entire year.

DigitalX Limited (the "Company") and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. The Board continues to review the framework and practices to ensure they meet the interests of shareholders, with reference to Amendments to the Corporate Governance Principles.

The Company's main corporate governance policies and practices as of the date of this Annual Report are outlined below. The Company's full Corporate Governance Plan, including the various codes, policies and charters referred to in this statement, is available in a dedicated corporate governance information section of the Company website www.digitalx.com.

1. Lay solid foundations for management and oversight *(Recommendation 1.1, 1.2, 1.3)*

The ASX Corporate Governance Council states that a company should, "Recognise and publish the respective roles and responsibilities of board and management." In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

Specifically the Board is responsible for:

- Oversight of the Company, including its control and accountability systems;
- Appointing, monitoring, managing the performance of, and if necessary terminating (the employment of) the Chief Executive Officer, Chief Operating Officer, Chief Trading Officer, Chief Technical Officer and the Company Secretary;
- Input, assessment, appraisal and final approval of management's development of corporate strategy and performance objectives;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- Monitoring executives' performance and implementation of strategy, and ensuring appropriate resources are available to undertake those strategies;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- Approving and monitoring financial and other reporting (including audit matters);
- Recruitment, remuneration, performance review and succession plans for the Company board;
- Approving significant changes to the organisational structure;
- Approving the issue of any shares, options, equity instruments or other securities in the Company, including a Company Share Purchase Plan (if any);
- Ensuring a high standard of corporate governance practice, regulatory compliance and promoting ethical and responsible decision making, including maintaining a Corporate Code of Conduct;
- Recommending to shareholders the appointment or re-appointment of the external auditor as required; and
- Meeting with the external auditor, at their request, without management.

The Board delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Matters which exceed certain defined authority limits require board approval. The functions reserved to the Board and those delegated to executives is disclosed in the Board Charter which can be found in the Corporate Governance section on the Company website.

The Company will ensure that appropriate checks as to character, experience, education, are undertaken before it appoints a person, or puts forward to security holders a new candidate for election, as a director.

The Company ensures that an agreement is in place for each Director and senior executive of the Company, which set out the roles and responsibilities of each director or executive.

Company Secretary Accountability (Recommendation 1.4)

The Company Secretary is accountable to the Board on all governance matters, through the Chairman.
The role of the Company Secretary includes:

- When requested by the Board, the Company Secretary will facilitate the flow of information between the Board and its Committees and between executives of the Company and Non-Executive Directors.
- There will be a formal induction of each new Director; the Company Secretary is responsible for facilitating each induction.
- The Company Secretary is to facilitate the implementation of Board policies and procedures and monitor the adherence by the Board to them.
- The Company Secretary is to provide advice to the Board on corporate governance matters and law.
- The Company Secretary shall in consultation with the Chairman set and maintain a 12 month rolling timetable for Board Meetings.

The Company Secretary is entitled to attend any meeting of Directors and is entitled to be heard of any matter dealt with at any of the meetings of Directors. All Directors have access to the advice and services provided by the Company Secretary. The appointment and removal of the Company Secretary is a matter for decision by the Board as a whole.

Diversity Policy (Recommendation 1.5)

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives. With the numerous changes involved that relate to the evolving business strategy, the Board recognizes the need to diversify the Company at all levels, and is committed to achieving an increase in the diversity of gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity. The Board will report on progress in achieving the Company's diversity goals annually.

Due to the numerous changes to the Board and Company associated with a change in business strategy, as well as the size of the entity, the Board has decided not to disclose any measurable diversity objectives at this time. However, as the Company grows, the Board will remain committed to increasing diversity across all levels of the Company.

	DCC	
	Female	**Male**
Board	-	4
Executives	-	1
Group	5	8

The Board considers the Group's executives to consist of the Company's key management personnel.

The Company is not a "relevant employer" under the Workplace Gender Equality Act, as it is not a non-public sector employer with 100 or more employees in Australia.

Performance Evaluation (Recommendation 1.6, 1.7)

Due to the size of the Board and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of individuals. The Chairman conducts an informal review annually whereby he has discussed with individual directors and executives their attitude, performance and approach toward meeting the short and long term objectives of the Company. The Board considers that at this stage of the Company's development an informal process is appropriate.

At such a time when the Nomination Committee has been formed separately from the Board, the committee will arrange a performance evaluation of the Board, its Committees and its individual Directors on an annual basis. To assist in this process an independent advisor may be used.
When formed, the Nomination Committee will conduct an annual review of the role of the Board, assess the performance of the Board over the previous 12 months and examine ways of assisting the Board in performing its duties more effectively. The review will include:

- comparing the performance of the Board with the requirements of its Charter;
- examination of the Board's interaction with management;
- the nature of information provided to the Board by management; and
- management's performance in assisting the Board to meet its objectives.

A similar review will be conducted for each Committee by the Board with the aim of assessing the performance of each Committee and identifying areas where improvements can be made.

The Board will oversee the performance evaluation of the executive team. This evaluation is based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and the development of management and personnel.

The Board as a whole conducts an informal performance evaluation of the individual Directors (excluding that Director) on an annual basis. To assist in this process an independent advisor may be used. This process for evaluating the Board and its individual Directors is contained in the Disclosure – Performance Evaluation section on the Company website.

2. Structure the Board to add Value

The ASX Corporate Governance Council states that a company should, "have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties." DigitalX's Board is so structured, and its Directors have adequately discharged their responsibilities and duties for the benefit of shareholders.

A fundamental requirement for the DigitalX Board is a deep understanding of investment, managing businesses and financial markets. All board members throughout the year met this requirement, and brought a diverse range of skills, and backgrounds to the Board. The experience and qualifications of each board member and their terms of office are set out in the Directors' Report.

DigitalX Directors may seek external professional advice at the expense of the Company on matters relating to their role as Directors of DigitalX. However, they must first request approval from the Chairman, which must not reasonably be withheld. If withheld then it becomes a matter for the whole Board.

Directors must keep the Board advised, on an ongoing basis, of any interests which could potentially conflict with any of those of the Company. Where the Board believes that a significant conflict exists for a Director on a board matter, the Director concerned is not present at the meeting while the matter is being considered.

Nomination Committee (Recommendation 2.1, 2.2)

During the current financial year, the Board decided that the Company will not have a separate Nomination Committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee. A full summary of these responsibilities is available on the Company website contained in the Nomination Committee Revision section.

In the next twelve months, the Board anticipates the formation of a Nomination Committee separate from the Board, comprised of at least three Non-Executive Directors, the majority of whom shall be independent, one of whom will be appointed the Committee Chairman (it is preferable that the Chairman of the Board of Directors does not chair this committee). At such a time when a Nomination Committee is formed, the Board shall be able to appoint additional Non-Executive Directors to the Committee or remove and replace members of the Committee by resolution.

The primary purpose of the Nomination Committee will be to support and advise the Board on:

1. maintaining a board that has an appropriate mix of skills and experience to be an effective decision-making body; and
2. ensuring that the Board is comprised of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.

When a new Director is to be appointed, the Board will review the range of skills, experience and expertise on the Board, identify its needs and prepare a short-list of candidates with appropriate skills and experience. Where necessary, advice will be sought from independent consultants. The Board then may appoint the most suitable candidate who must stand for election at the next annual general meeting of the Company.

DigitalX has in place a process to educate new Directors about every aspect of its business. New Directors meet with management to gain a thorough understanding of the business, including background information vital to the business, corporate strategy, security policies and procedures, review of the competitive landscape, corporate opportunities (products and services) and the culture and values of the Company. In addition, Directors are educated regarding meeting arrangements, interaction among board members and expectations concerning their performance. Directors are also encouraged to visit corporate facilities to gain a deeper understanding of business operations.

A Board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership, had not been implemented this financial year as the Board goes through a restructure.

Retirement and rotation of Directors shall be governed by the Corporations Act 2001 and the Constitution of the Company. Each year one third of the Directors must retire and offer themselves for re-election.

Independence and the Chairperson (Recommendations 2.3, 2.4, 2.5 and 2.6)

ASX Corporate Governance Recommendation 2.4 states that a majority of Directors of a listed entity should be independent Directors. (An independent Director is one who is independent of management and free from any business or other relationship, which could, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. Independent Directors should meet the definition of what constitutes independence as set out in the Australian Stock Exchange Limited (ASX) Corporate Governance Guidelines as explained in Annexure A). Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or 5% of the individual directors' net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the Director's performance.

Due to the size of the business, as well as an overhaul of the Board and Directors, the current Board of DigitalX has only one Independent Director.

Post the end of the financial year, the Board composition has changed and the company is currently engaged in evaluating candidates for the Chair of the Board who would be an independent Director

The Directors consider that the current structure of the Board is appropriate. The Board is committed to considering the structure of the Board at regular intervals to determine what is appropriate for the Company at that time, and the Board remains committed to fulfilling ASX Recommendation 2.4 in the near future. The Board holds a similar approach to ASX Recommendation 2.3, which requires the Board to disclose the names, interests, and length of service of any Directors that the Board considers to be independent. At such a time when the Board appoints an Independent Director, the Company shall disclose the necessary information, and those Directors who are considered to be independent shall complete a checklist to document their independence.

The length of service of each director is as follows:

Director	Title	Appointment Date	Length of Service
Alexander Karis	CEO/Managing Director	5 June 2014	2 years and 3 months
William Brindise	Executive Director and Chief Trading Officer	5 June 2014	2 years and 3 months
Brett Mitchell	Non-Executive Director	5 September 2014, resigned 25 July 2016	1 year and 11 months
Zhenya Tsvetnenko	Executive Chairman	5 June 2014, resigned 25 July 2016	2 years and 2 months
Leigh Travers	Executive Director	25 July 2016	2 month
Toby Hicks	Non-Executive Director	28 July 2016	2 month

The company is currently in the process of designing and implementing a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

3. Promote ethical and responsible decision making

The ASX Corporate Governance Council states that a company should, “actively promote ethical and responsible decision making”. The Company has a formally adopted Code of Conduct. The Code of Conduct was based on respect for the law and acting accordingly, dealing with conflicts of interest appropriately, and ethical matters such as acting with integrity, exercising due care and diligence in fulfilling duties, acting in the best interests of the Company and respecting the confidentiality of all confidential information.

DigitalX also has a documented Share Trading Policy for Directors and employees. The policy prohibits short term trading in the Company’s securities, and Directors and employees are prohibited from dealing in the Company’s securities whilst in possession of price sensitive information. In addition, Directors and executives are at all times prohibited from dealing in DCC securities for:

- each period of 1 week before and one business day after each date upon which DCC gives to the ASX its quarterly, half yearly or annual report.
- two weeks before lodgement and during the period that a disclosure document including a prospectus is open for applications, except to the extent that a Director or employee is applying for securities pursuant to that disclosure document.

All employees must observe the Company’s Share Trading Policy. In conjunction with the legal prohibition on dealing in the Company’s securities when in possession of unpublished price sensitive information, the Company has established specific time periods when Directors, executives and employees are permitted to buy and sell the Company’s securities.

The Code of Conduct and Share Trading Policy are available on the Company website.

4. Safeguard integrity in financial reporting

The ASX Corporate Governance Council states that a company should, “have a structure to independently verify and safeguard the integrity of the Company’s financial reporting.” DigitalX believes that it has appropriate measures in place which includes the Managing Director (or Chairman in lieu of the position being vacated) and Company Secretary providing letters of assurance to the Board for the accounts, engagement of an external auditor, rotation of the engagement audit partner, and a risk management plan in place.

Audit and Risk Committee (Recommendation 4.1)

The Company is not one of the S&P All Ordinaries Top 300 Companies and as such is exempt under ASX Listing Rule 12.7 from maintaining an Audit Committee and thus compliance with Recommendation 4.1.
The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function. A full summary of these responsibilities is available on the Company website contained in the Audit and Risk Committee Charter section.

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at board meetings.

CEO Declaration (Recommendation 4.2)

The Board, before it approved the entity's financial statements for this financial period, has received from its CEO and acting CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

External Auditors (Recommendation 4.3)

The Company requires external auditors to demonstrate quality and independence. The performance of the external auditor is reviewed and applications for tender of external audit services requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

Shareholders meetings represent a good opportunity for shareholders to meet with the Board of DigitalX and the external auditor. The external auditor is requested to attend each Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Grant Thornton Audit Pty Ltd are the appointed external auditors. Grant Thornton Audit Pty Ltd is in compliance with the policy with the next partner rotation required is for the year ended 30 June 2021.

5. Make timely and balanced disclosure

DigitalX is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an informed market. In accordance with continuous disclosure requirements under the ASX Listing Rules, the Company has documented procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner, including changes in Directors' interests in the Company.

The ASX Corporate Governance Council states that a company should, "promote timely and balanced disclosure of all material matters concerning the Company." As the Company is admitted to ASX's Official List, the Company is a "disclosing entity" (as defined in Section 11AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information is publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants is also managed through disclosure to the ASX. In addition, the Company posts this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

The Continuous Disclosure Policy is available on the Company website.

6. Respect the rights of stakeholders (Recommendations 6.1, 6.2, 6.3 and 6.4)

The ASX Corporate Governance Council states that a company should, "respect the rights of shareholders and facilitate the effective exercise of those rights".
The Company is committed to the empowerment of shareholders by:

- Communicating effectively with them;
- Giving them ready access to balanced and understandable information about the Company and corporate proposals; and
- Making it easy for them to participate in general meetings.

Effective shareholder communication is primarily about the empowerment of shareholders. The Company will communicate to shareholders in a timely and balanced fashion through:

- the Company's website, www.digitalx.com on which the Company posts all disclosures and announcements which it makes to ASX;
- the quarterly reports (where required) to the ASX which are placed on the Company's website;
- the Company's Annual Report delivered by electronic post, and also placed on the Company's website;
- notices and explanatory memorandum of the Company's annual general meetings (AGM) and extraordinary general meetings (EGM), copies of which are placed on the Company's website;
- the Chairman's address and the Chief Executive Officer's address made at the AGM's and the EGM's, copies of which are placed on the Company's website;
- the auditor's lead engagement partner being present at the AGM to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report; and
- electronic distribution of information through email communication.

Shareholders can register with the Company Secretary to receive email notifications when an announcement is made by the Company to ASX, including the release of the annual, half yearly and quarterly (where required) reports to the ASX. Links are made available to the Company's website on which all information provided to ASX is immediately posted.

The Company will review its website on an ongoing basis to identify ways in which it can promote its greater use by shareholders and make it more informative. At least three historical years of the Company's Annual Report will be provided on the Company's website.

Shareholders queries should be referred to the Chief Executive Officer in the first instance. In addition to a documented procedure for continuous disclosure, DigitalX maintained a website throughout the year which provided access to all recent ASX announcements, recent disclosure documents (e.g. prospectuses, notice of meeting explanatory memorandums, annual reports) and key contact details. A Shareholders Communications Strategy to promote effective communication with shareholders and encourage shareholder participation at AGM's has also been adopted and is available on the Company website.

7. Recognise and manage risk (Recommendation 7.1)

The ASX Corporate Governance Council states that a company should, "establish a sound system of risk oversight and management and internal control". The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company. The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can be effectively managed or mitigated may be limited.

The Company will not have a separate Risk Committee or an internal audit function until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee. A full summary of these responsibilities is available on the Company website contained in the Audit and Risk Committee Charter and Risk Management Policy sections.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. DigitalX maintains documented policies for identifying, assessing

and monitoring risk. The Company utilises measures including formal authority limits for management to operate within. The risks for the Company continue to be regularly monitored and management has regularly appraised the Board as to the effectiveness of the Company's management of its material business risks. All proposals reviewed by the Board include a consideration of the issues and risks of the proposal. The potential exposures associated with running the Company have been managed by the Directors and Company Secretary who combined have significant broad-ranging industry experience.

The Managing Director and Company Secretary provide a written declaration to the Board in relation to each six-month reporting period that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The Board as a whole closely monitor and review all aspects of the finance function to gain assurance as to the integrity of the financial reporting process and ensure the maintaining of sound internal control systems.

In the course of its formal and informal discussions, the Board as a whole will review and comment upon the Company's existing investments as well as new investment opportunities that may be presented to the Company.

The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at board meetings.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls;
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

To this end, comprehensive practises are in place that are directed towards achieving the following objectives:

- compliance with applicable laws and regulations;
- preparation of reliable published financial information; and
- implementation of risk transfer strategies where appropriate e.g. insurance.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management who report back at least annually on this specific matter to the Board. At such a time when a separate Audit and Risk Committee is formed, management will be required to assess risk management and associated internal compliance and control procedures and report back at least annually on this specific matter to the Audit and Risk Committee.

The Board will review assessments of the effectiveness of risk management and internal compliance and control on at least an annual basis. The most recent review has been conducted for the financial year ending 30 June 2016.

The Company has developed a series of operational risks which the Company believes to be inherent in the industry in which it operates. These include:

- Increased regulation around the use and trading in digital currencies
- Lack of adoption of digital currencies
- Unexpected costs associated with the commercialisation of digital currency related products
- Theft and security of digital currencies
- Protection of technology rights
- Fluctuations in pricing of digital currencies
- Capital requirements

The Company presently does not have any material exposure to economic, environmental and social sustainability risks.

8. Remunerate fairly and responsibly

The ASX Corporate Governance Council states that a company should, "ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined". A discussion about the DigitalX policy, along with all remuneration for Directors and executives can be found in the Directors' Report.

Remuneration Committee (Recommendation 8.1)

The Company is not currently considered to be of a size, nor are its affairs of such complexity to justify the establishment of separate Remuneration Committee. Accordingly, all matters related to remuneration are dealt with by the full Board. A full summary of these responsibilities is available on the Company website contained in the Remuneration Committee Revision section.

Remuneration Policy (Recommendation 8.2)

The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision-making process.

The total maximum remuneration of Non-Executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The current amount has been set at an amount not to exceed $250,000 per annum.

A Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the other Directors determine where a Director performs special duties, or otherwise performs services outside the scope of the ordinary duties of a Director.

In addition, Directors are also entitled to be reimbursed reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans, including the appropriateness of performance hurdles and total payments proposed, ensuring shareholder approval is granted where required.

Non-Executive Directors
Non-Executive Directors receive fees which are determined by the Board within the aggregate limit set by the shareholders at a General Meeting. All Non-Executive Directors will receive remuneration by way of fees and receive no retirement benefits. Non-Executive Directors may receive options or shares. The issue of options or shares to Non-Executive Directors is considered an appropriate method of providing sufficient incentive and reward whilst maintaining cash reserves.

Executive Directors and Executives
Executive Directors' and executives' remuneration is considered to properly reflect the person's duties and responsibilities, and takes account of remuneration levels across the sector.

Mr Alex Karis has in place (since 4 June 2014) an employment agreement for the role of Chief Executive Officer and Managing Director.

Mr Fabricio Rodriguez has in place (since 4 June 2014) an employment agreement for the role of Chief Operating Officer.

Mr William Brindise has in place (since 4 June 2014) an employment agreement for the role of Chief Trading Officer.

Mr Leigh Travers has in place (since 1 June 2016) an employment agreement for the role of VP of Business Development and Investor Relations.

Mr Neel Krishnan has in place (since 31 August 2016) an employment agreement for the role of Chief Technology Officer.

Your 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 2016. Information contained within this report and the financial report is presented in United States dollars (US$).

Directors

The following persons were Directors of DigitalX Limited during the financial year and up to the date of this report:

Mr Alex Karis, *CEO/Managing Director*
Appointed 5 June 2014

Mr Karis' position as CEO of DigitalX is for the strategic direction and management of the company. During his time with the Company he successfully launched its flagship product digitalX Direct, which is generating sales revenues of nearly US$17 million in less than one year since launch. Mr. Karis is an innovator in the FinTech sector and is driving the development of a revolutionary product, AirPocket, to disrupt the mobile bill payment and remittance sector.

Mr Karis formally President and founder of " MG"- Karis Marketing Group, one of the leading US marketing companies, providing offline and online marketing support services to major US Telecom carriers. KMG also provides political consulting and polling services within the United States. Mr Karis started KMG late in 2001 and has over 12 years' experience in the retail marketing and telemarketing. KMG was one of the Inc. 500 fastest growing private companies in 2014

Mr Karis holds a bachelor degree in Fine Arts from The University of Massachusetts Amherst. Mr Karis is not and has not been a director of any other ASX listed company for the previous three years.

Interests in shares and options held as at the date of the report
20,514,200 Fully Paid Ordinary Shares

Mr William Brindise, *Executive Director and Chief Trading Officer*
Appointed 5 June 2014

Mr Brindise is responsible for managing the financial risks and position of the Company. He oversaw the liquidity desk operations of DigitalX's leading bitcoin trading platform DigitalX Direct and played a key role in its successful launch and growth to date. His digital trading and commodities trading expertise makes him the ideal candidate to manage the FX and currency risk for AirPocket.

Mr Brindise has a wealth of corporate and financial expertise having spent over 15 years trading energy, metal and grain options and futures. He began his career on the NYMEX working for ZAR trading and after a few years started his own trading/brokerage company, BAK. After 4 successful years he moved off the floor when NYMEX trading became digital and took a job working for the hedge fund SHK Management.

He holds a bachelor degree in Business and Finance from Boston University. Mr Brindise is not and has not been a director of any other ASX listed company for the previous three years.

Interests in shares and options held as at the date of the report
12,549,897 Fully Paid Ordinary Shares

Mr Eugeni 'Zhenya' Tsvetnenko
Appointed 5 June 2014, Resigned 25 July 2016

Mr Tsvetnenko is the founding director and majority shareholder of DigitalX Limited. He has over 8 years' experience in mobile messaging services including data, music, games, and news. He is a highly successful entrepreneur and is also the founder of Mpire Media Pty Ltd, a privately held global multimedia and online advertising company servicing international clientele.

Mr Tsvetnenko was awarded the prestigious Ernst & Young, Entrepreneur of the Year 2010 young category and the Western Australian Business News 40 under 40 awards 2011. In 2009 Mr Tsvetnenko debuted on the BRW Young Rich list which estimated his wealth at $107 million.

During the past three years, Mr Tsvetnenko has held directorship in the following ASX listed company:

Tech Empire Limited (29 June 2015 – 25 July 2016)

Interests in shares and options held as at the date of the report
17,633,839 Fully Paid Ordinary Shares

Mr Brett Mitchell, *Non-Executive Director*
Appointed 5 September 2014, Resigned 25 July 2016

Mr Mitchell is a corporate finance executive with over 20 years of experience in the finance and resources industries, and has been involved in the founding, financing and management of both private and publicly-listed resource companies.

Mr Mitchell holds a Bachelor of Economics from the University of Western Australia and is a member of the Australian Institute of Company Directors (AICD) and is involved with the corporate strategy of the business in his role as a Director.

During the past three years, Mr Mitchell has held directorships in the following ASX listed companies:

MGC Pharmaceuticals Ltd (2 April 2013 – current)
Sky and Space Global Ltd (12 May 2016 – current)
Acacia Coal Ltd (18 December 2015 – 2 August 2016)
Tamaska Oil and Gas Limited (1 August 2011 – 1 February 2015)
Citation Resources Limited (24 November 2011 – 1 December 2015)
Wildhorse Energy Limited (22 April 2009 – 29 August 2014)

Interests in shares and options held as at the date of the report
76,401 Fully Paid Ordinary Shares
300,000 Unlisted Options exercisable at $0.286 each expiring 30 June 2017

Mr Leigh Travers
Appointed 25 July 2016

Leigh Travers has enjoyed a decade of building relationships in financial and technology markets through his experience at Fintech and Investment Advisory companies. He is a current Director and Vice Chairman of the ADCCA, the representative body for digital commerce businesses in Australia. He is the VP of Business Development and Investor Relations and his work is primarily focused on the deployment of the AirPocket application.

Mr. Travers previously worked for seven years at Wealth Management firm Euroz Securities as an Investment Advisor. His clients included HNW, Institutions and Listed Companies as he provided trading advice, company buybacks & sell downs and capital raising services.

Mr. Travers holds a Bachelor of Commerce and Communications from the University of Western Australia and has completed a Fintech Certification from the Massachusetts Institute of Technology.

Mr Travers is not and has not been a director of any other ASX listed company for the previous three years.

Interests in shares and options held as at the date of the report
311,111 Fully Paid Ordinary Shares

Mr Toby Hicks
Appointed 28 July 2016

Mr Hicks is a Partner of Steinepreis Paganin Lawyers & Consultants with over 14 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.

In addition to his legal practice, Mr Hicks has served on the Board of Governors of the University of Notre Dame Australia for 14 years and is a member of the University's Finance, Audit and Risk Committee and the Fremantle Law School Advisory Board.

Mr Hicks holds a Bachelor of Business (Management) and a Bachelor of Laws from the University of Notre Dame Australia as well as a Graduate Diploma in Company Secretarial Practice from Chartered Secretaries Australia (now the Governance Institute). He is also a Chartered Secretary. Mr Hicks is not a director of any other ASX listed company.

Mr Hicks is not and has not been a director of any other ASX listed company for the previous three years.

No interests in shares and options held as at the date of the report

Company Secretary
Mrs Rachel Kerr, held the position of Company Secretary of DigitalX at the end of the financial year. Mrs Kerr has 8 years' experience as a Company Secretary on both private and public companies, working on acquisitions, capital raisings, listing of companies on ASX, due diligence reviews and compliance of public companies.

On 12 September 2016 Rodion Kostrykine, has replaced Rachel as the Company Secretary. Mr Kostrykine has been with the company for 2 years' and is the acting Financial Controller. Mr Kostrykine has over 6 year experience in audit and financial reporting and holds a Bachelor of Commerce from Murdoch University, Master of Applied Finance from Monash University, Graduate Diploma of Chartered Accounting from the Institute of Chartered Accountants Australia and New Zealand, and is a member of Chartered Accountants Australia and New Zealand.

Principal activities

There were no significant changes in the nature of the Group's principal activities during the year.

Environmental regulation

The consolidated group is not subject to significant environmental regulation in respect of its operations.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

On 7 October 2015, the Company had announced that it has formally terminated the Mintsy Joint Venture agreement. The decision to terminate the agreement follows ongoing concerns held by the Company with respect to the managing JV partner who was unable to meet its contractual operational and management requirements. The company has previously terminated all commercial arrangements with the JV and has seured all equipment provided to the JV

On 8 December 2015, the Company had confirmed that in accordance with the special resolution passed by the shareholders at the Annual General Meeting on 30 November 2015, Digital CC Limited has changed its company name to DigitalX Limited.

On 17 February 2016, the Company had announced that it had entered into a marketing, distribution and sales agreement with what was later revealed to the Telefonica Internacional S.A.U., a mobile phone giant, which has nearly 232 million telecommunication access points in Latin America and is one of the largest telcos in the region and is among the top five biggest telecommunications group in the world. The Partnership paves the way for mobile application to be launched in the United States.

On 23 February 2016, the Company had announced that it has signed a Memorandum-of-Understanding with a Mexico-based payments provider that will allow its members to use the Company's AirPocket money transfer app. The provider is one of Mexico's leading payment companies and the agreement paves the way for its users to send money from seven states in the United States to key Mexican cities and rural regions.

On 6 June 2016, the Company had ceased its Bitcoin mining operations to focus its resources on development and launching its flagship product AirPocket.

Review of Operations

The purpose of this review is to set out information that shareholders may require to assess DigitalX Limited's operations, financial position and business strategies and prospects for future financial years. This information complements and supports the Financial Report presented herein.

Disclosure of Operations

DigitalX Limited is principally involved in the following activities:

a) Development of Software for retail based consumer applications
b) Bitcoin trading and the operation of a liquidity desk
c) Bitcoin mining

Our operations are conducted from our offices in Boston, MA, Perth, WA and Redbank, New Jersey.

Financial Review

	USD$
Revenue from ordinary activities	41,710,867
Loss from ordinary activities after tax attributable to members	(3,417,305)
Net loss for the period attributable to members	(3,417,305)

The consolidated loss after tax for the year ended 30 June 2016 was US$3,417,305 (2015: loss of US$6,769,719).

Growth in sales from the Trading business was one of the main drivers of the total revenue. Overall, the Trading business delivered US$38,426,993 (2015 US$29,337,136) This was driven by the increase in revenue from the DirectX platform to US$13,794,644 (2015 US$10,520,572)

The uplift in sales and the appreciation in the value of Bitcoin, contributed positively to the improvement in the Company's profit position with net loss of US$3,417,305 (2015 loss of US$6,769,719)

During the year, as the Company divested in its Bitcoin mining operations. A reduction in the power and hosting expenditure, optimisation of the mining equipment and an appreciation in the value of Bitcoins held of US$1.3m, resulted in that business segment delivering a profit of just under US$666k.

Commentary

The statutory accounting result for the period is a net loss after tax of US$3.4m, this was a considerable improvement on the PY US$6.8m loss, and was driven by the appreciation in the value of Bitcoin of US$1.3m, optimisation and divestment in the Bitcoin mining operations and strong growth in Liquidity desk revenue.

The total revenue across all the segments had reached US$40.4m, driven by strong growth in trading revenue of US$38.5m. With our network of partners, and leveraging on the increased volume of global Bitcoin trading, the Liquidity desk was able to generate revenue growth throughout the year.

DigitalX Direct, has demonstrated its potential to generate considerable revenue with growth in revenue over the period of 31%, recording US$13.8m for the year. An automated process that required minimal oversight, had allowed for resources to be redirected to other business segments and deliver consistent profits.

As the focus of the Company has shifted away from Bitcoin to the mobile bill pay and remittance product AirPocket, the Bitcoin mining operations have been undergoing a process of mining hardware divestment and optimisation, reducing the power and hosting commitments and improving the profitability of the segment. Together with a considerable appreciation in the value of Bitcoin throughout the year, the mining segment had generated a US$666k profit for the year. With the divestment from this segment in the period, the results of the Bitcoin mining operations have been disclosed as discontinued operations in this annual report.

AirPocket is a disruptive, SMS-enabled, international mobile bill payments platform and mobile money remittance application backed by Blockchain technology. DigitalX officially launched the AirPocket application on Google Play and the Apple App store in June 2016. The application supports international Airtime transfers for US consumers to 11 countries in Latin American in a partnership with the global telecommunications giant Telefónica International S.A.U. (Telefónica).

The marketing campaign for AirPocket began with a direct SMS campaign provided by Telefonica to target more than 230 million Telefonica mobile devices. DigitalX is also running a tandem marketing campaign that is addressing consumers in the United States and Latin America through multiple social media platforms including Facebook, Google and Twitter.
The Company is currently finalizing additional partners for the AirPocket product which will see the product have a scalable payment network in the Latin American region. DigitalX is committed to delivering more than just a great piece of technology and looks forward to launching the remittance feature in the December 2016 quarter.

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 financial condition of the Company, future capital requirements and general business and 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.

Subsequent events

On 25 July 2016, the acting Executive Chairman, Zhenya Tsvetnenko had tendered his resignation from the board of DigitalX, relinquishing his executive role in the Company. Non- Executive Director Brett Mitchell had also stepped down from the Board. Leigh Travers had joined the Board as an Executive Director, Mr Travers is the Vice President of Business Development and Investor Relations for DigitalX.

On 28 July 2016, Toby Hicks had joined the Board of DigitalX as a Non-Executive Director. Mr Hicks is a partner at a Western Australian corporate law firm, Steinpreis Paganin and brings extensive legal and corporate expertise to the DigitalX Board. He has more than 14 years' experience advising public companies on matters of corporate governance, capital raisings and commercial transactions

On 2 August 2016, it was revealed that the Bitcoin exchange Bitfinex, on which DigitalX had an account, had been hacked. It was later announced that around US$60m in Bitcoin was stolen during the hack, and as a result all the accounts would receive a 36% penalty as a way to spread the loss across all accounts. DigitalX had incurred a loss of around US$70k as a result of the hack and the subsequent penalty by Bitfinex.

On 25 August 2016, the Company announced that it intends to buy-back a portion of the shares held by entities associated with previous Director, Zhenya Tsvetnenko, for AUD$0.03 per share with that buy-back to be conditional upon:

a) Shareholders approving the buy-back; and
b) Mr Tsvetnenko's entities disposing of the remainder of their shares in the company.

On 7 September 2016, the Company has announced the completion of a capital raising through the issue of 10,580,303 ordinary fully paid shares at AUD$0.05 per share to raise $AUD529,015 before costs.

In the opinion of the Directors, apart from the disclosures above, there were no other matters or circumstances that have arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations in future financial years, the results of those operations in future financial years or the Group's state of affairs in those future financial years.

Future developments

DigitalX is aiming, subject to the risk of program launch, to complete the launch of the AirPocket consumer product during the fourth quarter of the 2016 calendar year:

Remuneration Report (audited)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of DigitalX Limited's Directors and its executives for the financial year ended 30 June 2016, under the following main headings:

- Key management personnel
- Remuneration policy
- Relationship between the remuneration policy and company performance
- Key terms of employment contracts
- Remuneration of Directors and executives
- Share based payments granted

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

(a) *Key Management Personnel*

The key management personnel of the Group consist of the Board and Executives. This is the case due to the size and scale of the Group's current operations. All the named persons held their current position for the whole or part of the financial year and since the end of the financial year.

Directors

- A Karis – *Managing Director (appointed 5 June 2014)*
- W Brindise – *Executive Director (appointed 5 June 2014)*
- B Mitchell – *Non-Executive Director (appointed 5 September 2014 resigned 25 July 2016)*
- Z Tsvetnenko - Executive Chairman (*appointed 5 June 2014 resigned 25 July 2016*)
- L Travers - *Executive Director (appointed 25 July 2016)*
- *T Hicks – Non-Executive Director (appointed 28 July 2016)*

Executive Officers

- F Rodriguez – *Chief Operating Officer (appointed 5 June 2014)*
- N Krishnan – Chief Technology Officer (appointed 31 August 2016)

(b) *Remuneration policy*

The Board as a whole determine and review compensation arrangements for the Executive Directors and where applicable the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality team.

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate to the results delivered. The Board ensures that executive rewards satisfy the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linked
- Transparency
- Capital management.

The Company reviews its executive remuneration framework to ensure that it is market competitive and complimentary to the reward strategy of the organisation.

Base pay
Directors and executives are offered a competitive base salary and participation in the bonus pool. Base pay for executives is reviewed annually by the Board to ensure that executive's pay is competitive with the market, and is also reviewed upon promotion or additional responsibilities.

There is no guarantee of base pay increases fixed in any executive or Director contracts.

Executives are offered a competitive salary that comprises a base salary inclusive of superannuation and potential participation in the bonus pool.

Equity based payments
There is no entitlement to equity based remuneration except for the options and performance shares issued in 2014 as part of the acquisition of DigitalX Holdings Pty Ltd. Refer to note 22 for further details.

Commission
There is no entitlement to commissions based remuneration.

Short term incentives
For the purpose of incentivising and tying the rewarding of the Company's staff to the performance of the Company, the Board has determined to implement a bonus pool from which the Directors, executives and staff may receive additional remuneration.

The bonus pool is determined to total twenty percent (20%) of the net profit after tax of the Group (bonus pool). Before the commencement of each financial year the Board will meet to determine the performance goals applicable for the impending financial year (FY Performance Goal). The criteria ensure reward is only available when value has been created for shareholders. The performance goal for the bonus pool was set by the board at A$9.1 million EBITDA (Earnings before interest tax, depreciation and amortisation) for the financial year ending 30 June 2016.

If the Group achieves certain levels of the FY Performance Goal a sliding scale applies to the bonus pool availability as follows:

FY performance goal achieved	% of Bonus pool available for payment to Directors and management in accordance with the then/current bonus scheme of the Group and relevant employment contracts
50% or greater	100% of bonus pool
40% to 49.9%	80% of bonus pool
30% to 39.9%	60% of bonus pool
20% to 29.9%	40% of bonus pool
10% to 19.9%	20% of bonus pool
Less than 10%	none

The distribution of the bonus pool is determined by the Board on a discretionary basis based on an executive's and staff's:

- ability to perform individual tasks within the relevant department
- ability to add value and innovate beyond the job standard specification
- development of new and existing industry relationships
- ability to interact with other relevant departments as part of a larger team approach
- relevant industry salary benchmarking
- general requirements to attract and retain staff.

The Performance Goal set for the financial year ending 30 June 2016 has not been achieved and therefore no bonus payments were made.

(c) *Relationship between the remuneration policy and company performance*

The Board will align the interests of the executive team with those of the shareholders when setting future short and long-term benefits. This will from time to time require management to seek shareholder approval to provide compensation to executive management and the Non-Executive Directors in the form of share options, exercisable to shares, given the achievement of pre-specified objectives.

The table below sets out summary information about the Consolidated entity's earnings and movements in shareholder wealth for the year ended 30 June 2016:

	Financial year ending 30 June 2016 $	Financial year ending 30 June 2015 $
Revenue and other income	40,403,656	36,600,625
Net (loss)/profit after tax	(3,417,305)	(6,769,719)
Share Price at start of year	0.15	0.37
Share price at end of year	0.14	0.15
Final dividend	-	-
Basic and diluted earnings/ (loss) per share	(0.019)cps	(0.042)cps

(d) *Key terms of employment contracts*

Executives

The Company aims to reward the Executive Directors with a level of remuneration commensurate with their position, time commitment and responsibilities within the Company, and so as to align the interests of the Executive Directors with those of shareholders; link reward with the strategic goals and performance of the Company; and ensure total remuneration is competitive by market standards.

Executive Directors

Mr Alex Karis

Under an Executive Employment Agreement entered into between Mr Karis and DigitalX, Mr Karis is appointed as Chief Executive Officer of DigitalX, in effect from 5 June 2014. The Employment will be ongoing until it is terminated in accordance with Mr Karis' Executive Employment Agreement. The Employment may be terminated by either party giving one (1) month written notice (although less than 1 month notice is required by DigitalX in certain circumstances such as Mr Karis' illness, absence, material breaches or misconduct in which case Mr Karis will not be entitled to receive any termination payment in lieu or compensation). Mr Karis is entitled to a 24 month termination payment in certain circumstances.
Mr Karis' salary is USD$300,000 per annum (inclusive of mandatory social security payments including superannuation) subject to annual salary reviews and his reasonable expenses will also be paid by the Company. Additionally, Mr Karis will be eligible to participate in DigitalX's bonus scheme to receive up to 30% of the bonus pool as determined by the Board of DigitalX, based on the success of Mr Karis achieving certain performance targets.

Mr William Brindise

Under an Executive Employment Agreement entered into between Mr Brindise and DigitalX, Mr Brindise is appointed as Chief Investment Officer of DigitalX, in effect from 5 June 2014. The Employment will be ongoing until it is terminated in accordance with Mr Brindise's Executive Employment Agreement. The Employment may be terminated by either party giving three (3) months written notice (although less than 3 months' notice is required by DigitalX in certain circumstances such as Mr Brindise's illness, absence, material breaches or misconduct in which case Mr Brindise will not be entitled to receive any payment in lieu of notice) and the Company must pay Mr Brindise a payment equal to his salary for the remainder of the notice period. Mr Brindise will be under restraint and non-solicitation clauses for up to 12 months after the termination of the Employment.

Mr Brindise's salary is USD$225,000 per annum (inclusive of mandatory social security payments including superannuation) subject to annual salary reviews and his reasonable expenses will also be paid by the Company. Additionally, Mr Brindise will be eligible to participate in DigitalX's bonus scheme to receive up to 10% of the bonus pool as determined by the Board of DigitalX, based on the success of Mr Brindise achieving certain performance targets.

Mr Leigh Travers

Under an Executive Employment Agreement entered into between Mr Travers and DigitalX, Mr Travers is appointed as VP of Business Development and Investor Relations of DigitalX, in effect from 1 June 2016. The Employment will be ongoing until it is terminated in accordance with Mr Travers Employment Agreement. The Employment may be terminated by either party giving 6 months written notice (although less than 1 months' notice is required by DigitalX in certain circumstances such as Mr Travers illness, absence, material breaches or misconduct in which case Mr Travers will not be entitled to receive any payment in lieu or compensation as set out below). On termination of the Employment and where DigitalX elects to make payment in lieu of notice, the Company must pay Mr Travers a payment equal to his salary for the remainder of the notice period. Mr Travers will be under restraint and non-solicitation clauses for up to 24 months after the termination of the Employment.

Mr Travers salary is USD $135,000 per annum (inclusive of mandatory social security payments including superannuation) subject to annual salary reviews and his reasonable expenses will also be paid by the Company.

Under all of the Employment Agreements above, DigitalX, in its absolute discretion acting reasonably, can assign and transfer the Employments to any of DigitalX's Related Bodies Corporate.

Chief Operating Officer

Mr Fabricio Rodriguez

Under an Executive Employment Agreement entered into between Mr Rodriguez and DigitalX, Mr Rodriguez is appointed as Chief Technology Officer of DigitalX, in effect from 5 June 2014. The Employment will be ongoing until it is terminated in accordance with Mr Rodriguez's Executive Employment Agreement. The Employment may be terminated by either party giving one month written notice (although less than 1 months' notice is required by DigitalX in certain circumstances such as Mr Rodriguez's illness, absence, material breaches or misconduct in which case Mr Rodriguez will not be entitled to receive any payment in lieu or compensation as set out below). On termination of the Employment and where DigitalX elects to make payment in lieu of notice, the Company must pay Mr Rodriguez a payment equal to his salary for the remainder of the notice period. Mr Rodriguez will be under restraint and non-solicitation clauses for up to 24 months after the termination of the Employment.

Mr Rodriguez's salary is USD $135,200 per annum (inclusive of mandatory social security payments including superannuation) subject to annual salary reviews and his reasonable expenses will also be paid by the Company. Additionally, Mr Rodriguez will be eligible to participate in DigitalX's bonus scheme to receive up to 3% of the bonus pool as determined by the Board of DigitalX, based on the success of Mr Rodriguez achieving certain performance targets.

Under all of the Executive Employment Agreements above, DigitalX, in its absolute discretion acting reasonably, can assign and transfer the Employments to any of DigitalX's Related Bodies Corporate.

Chief Technology Officer

Mr Neel Krishnan

Under an Exetutive Employment Agreement entered into between Mr Krishnan and DigitalX, Mr Krishnan is appointed as Chief Technology Officer of DigitalX, in effect from 31 August 2016. The Employment will be ongoing until it is terminated in accordance with Mr Krishnan's Employment Agreement. The Employment may be terminated by either party giving one month written notice (although less than 1 months' notice is required by DigitalX in certain circumstances such as Mr Krishnan's illness, absence, material breaches or misconduct in which case Mr Krishnan will not be entitled to receive any payment in lieu or compensation as set out below). On termination of the Employment and where DigitalX elects to make payment in lieu of notice, the Company must pay Mr Krishnan a payment equal to his salary for the remainder of the notice period. Mr Krishnan will be under restraint and non-solicitation clauses for up to 12 months after the termination of the Employment.

Mr Krishnan's salary is USD $148,000 per annum (inclusive of mandatory social security payments including superannuation) subject to annual salary reviews and his reasonable expenses will also be paid by the Company.

Under all of the Employment Agreements above, DigitalX, in its absolute discretion acting reasonably, can assign and transfer the Employments to any of DigitalX's Related Bodies Corporate.

Non-Executive Directors

The remuneration arrangements for the Non-Executive Directors include compensation in the form of annual Directors' fees and from time to time share based payments.

Amounts payable to Director controlled entities for services provided by Directors for the year ending 30 June 2016 is detailed in the following table of this report. The Group carries out consulting activities with the Directors on an arm's length basis in the normal course of business.

(e) *Remuneration of Directors and Executives*

The compensation for each Director and executive for the period is contained in the following table.

Name	Short-term employee benefits			Post-employment benefits	Share-based payment	Total
2016	**Salary & fees**	**Director Fees**	**Consulting Fees**	**Super-annuation**	**Shares, options and performance rights(f)**	
	US$	**US$**	**US$**	**US$**	**US$**	**US$**
Zhenya Tsvetnenko[2]	203,500[1]	-	-	14,288[1]	-	217,788
Alex Karis	300,000	-	-	-	-	300,000
William Brindise	225,000	-	-	-	-	225,000
Fabricio Rodriguez	135,200	-	-	-	44,567	179,767
Brett Mitchell[3]	-	26,270	6,467	-	-	32,737
Total	**863,700**	**26,270**	**6,467**	**14,288**	**44,567**	**955,292**

Note 1: Amount paid in Australian Dollars and converted to United States Dollars at 0.74
Note 2: Zhenya Tsvetnenko has resigned effective as of 25 July 2016.
Note 3: Brett Mitchell has resigned effective as of 25 July 2016.

Name	Short-term employee benefits			Post-employment benefits	Share-based payment	Total
2015	**Salary & fees**	**Director Fees**	**Consulting Fees**	**Super-annuation**	**Shares, options and performance rights(f)**	
	US$	**US$**	**US$**	**US$**	**US$**	**US$**
Zhenya Tsvetnenko	309,147[1]	-	-	15,744[1]	(774,301)	(449,410)
Alex Karis	343,750	-	-	-	(394,923)	(51,173)
William Brindise	239,583	-	-	-	(228,222)	11,361
Emmanuel Abiodun[3]	-	-	-	-	(248,067)	(248,067)
Mark Laybourn[2]	191,523[1]	-	-	13,830[1]	-	205,353
Fabricio Rodriguez	90,000	-	-	-	-	90,000
Brett Mitchell	-	24,477[1]	36,566[1]	-	-	61,042
Brett Lawrence[4]	-	-	-	-	-	-
Total	**1,174,003**	**24,477**	**36,566**	**29,574**	**(1,645,513)**	**(380,893)**

Note 1: Amount paid in Australian Dollars and converted to United States Dollars at 0.84
Note 2: Mark Laybourn has resigned effective as of 30 April 2015.
Note 3: Emmanuel Adiodun has resigned as Director as of 5 September 2014
Note 4: Brett Lawrence has resigned as Director as of 5 September 2014

The share option and performance rights expense has been classified as part of corporate transaction accounting expense in the statement of profit or loss and other comprehensive income. For further information refer to Note 22 of the financial statements.

(f) *Share options and performance rights granted to Directors*

Name	Options			Class A Performance Rights[3]			Class B Performance Rights[4]		
2016	**Opening balance**	**Movement for the period[5]**	**Closing balance**	**Opening balance**	**Movement for the period**	**Closing balance**	**Open balance**	**Movement for the period**	**Closing balance**
Zhenya Tsvetnenko	2,495,013	(2,495,013)	-	7,787,767	(7,787,767)	-	3,893,883	-	3,893,883
Alex Karis	2,495,013	(2,495,013)	-	3,972,061	(3,972,061)	-	1,986,031	-	1,986,031
William Brindise	1,663,342	(1,663,342)	-	2,295,411	(2,295,411)	-	1,147,705	-	1,147,705
Emmanuel Abiodun[6]	1,663,342	(1,663,342)	-	-	-	-	-	-	-
Brett Mitchell[2]	300,000	-	300,000	-	-	-	-	-	-
Total	**8,616,710**	**(8,316,710)**	**300,000**	**14,055,239**	**(14,055,239)**	**-**	**7,027,619**	**-**	**7,027,619**

Name	Options			Class A Performance Rights[3]			Class B Performance Rights[4]		
2015	**Opening balance**	**Movement for the period**	**Closing balance**	**Opening balance**	**Movement for the period**	**Closing balance**	**Open balance**	**Movement for the period**	**Closing balance**
Zhenya Tsvetnenko	2,495,013	-	2,495,013	7,787,767	-	7,787,767	3,893,883	-	3,893,883
Alex Karis	2,495,013	-	2,495,013	3,972,061	-	3,972,061	1,986,031	-	1,986,031
William Brindise	1,663,342	-	1,663,342	2,295,411	-	2,295,411	1,147,705	-	1,147,705
Emmanuel Abiodun[6]	1,663,342	-	1,663,342	2,495,013	(2,495,013) [1]	-	1,247,507	(1,247,507) [1]	-
Brett Mitchell[2]	300,000	-	300,000	-	-	-	-	-	-
Total	**8,616,710**	**-**	**8,616,710**	**16,550,252**	**(2,495,013)**	**14,055,239**	**8,275,126**	**(1,247,507)**	**7,027,619**

Note 1: On 9 April 2015 the Company has confirmed that it completed a selective buy-back and cancellation of the 8,276,465 Shares and cancellation of the 2,495,013 Call A Performance Rights and 1,247,507 Class B Performance Rights held by Technology IQ Limited a Company controlled by Emmanuel Abiodun.
Note 2: Mr Brett Mitchell was appointed Non-Executive Director on 5 September 2014, however the options in the Company held by Mr Mitchell were granted in May 2014.
Note 3: The Class A Performance Rights are unvested and lapsed on 1 July 2015 as the performance hurdle was not met
Note 4: The Class B Performance Rights are unvested and lapsed on 1 July 2016 as the performance hurdle was not met
Note 5: The unlisted options have expired and lapsed on 6 June 2016.
Note 6: Emmanuel Abiodun has resigned as Director as of 5 September 2014

(g) *Shareholdings of Directors*

Shareholdings 2016

Directors	Opening Balance 1-Jul-15	Granted as Compensation	Options Exercised	Net Other Changes[1]	Closing Balance 30-Jun-16
Zhenya Tsvetnenko	43,016,201	-	-	-	43,016,201
Alex Karis	20,514,200	-	-	-	20,514,200
William Brindise	12,549,897	-	-	-	12,549,897
Brett Mitchell	76,401	-	-	(13,522)	62,879
Total	**76,156,699**	**-**	**-**	**(13,522)**	**76,143,177**

Shareholdings 2015

Directors	Opening Balance 1-Jul-14	Granted as Compensation	Options Exercised	Net Other Changes[1]	Closing Balance 30-Jun-15
Zhenya Tsvetnenko	43,016,201	-	-	-	43,016,201
Alex Karis	20,514,200	-	-	-	20,514,200
William Brindise	12,549,897	-	-	-	12,549,897
Brett Mitchell	76,401	-	-	-	76,401
Total	**76,156,699**	**-**	**-**	**-**	**76,156,699**

[1] Net other changes are as a result of shares allotted on share issues and other movement due to changes in directors and directors' related entities

.

Year ended 30 June 2016

During the financial year 8,316,710 unlisted options exercisable at AUD$0.28, expiring on 5 June 2016, have lapsed. The financial effect of the options being forfeited is a credit to accumulated losses in the current financial year of $1,179,620.

Year ended 30 June 2015
During the financial year the Directors reassessed the probability that the Class A and Class B Performance Rights would vest at 1 July 2015 and 1 July 2016 respectively.

On completion of the Acquisition by DigitalX Limited of Digital CC Holdings Pty Ltd on 6 June 2014, the following Performance Rights were issued to the Directors outlined above and other Vendors:

- 16,633,420 Class A Performance Rights which will vest on 1 July 2015 if the earnings before interest, tax, depreciation and amortisation in the Company in the period from 1 January 2014 to 30 June 2015 is $9,000,000 or greater. The fair value of the performance rights is $0.286 each and was initially accounted for based on a probability of 35% that the performance hurdle is achieved as at 30 June 2015. The Directors have reassessed the probability the Class A Performance Rights will vest to 0%. Therefore the fair value of the Class A Performance Rights has been determined to be nil; and

- 8,316,710 Class B Performance Rights which will vest on 1 July 2016 if the same earnings before interest, tax depreciation and amortisation in the Company in the period between 1 July 2015 and 30 June 2016 is $30,000,000 or greater. The fair value of the performance rights is $0.286 each and was initially accounted for based on a probability of 5% that the performance hurdle is achieved at 30 June 2015. The Directors have reassessed the probability that the Class B Performance Rights will vest to 0%. Therefore the fair value of the Class B Performance Rights has been determined to be nil.

The financial effect of the reassessment is a credit to the profit and loss in the current financial year of $1,653,782 as the performance rights are not expected to vest.

Other transactions with Directors and key management personnel of the Group

Year ended 30 June 2016

- DigitalX Limited paid Mpire Media Pty Ltd (a company controlled by Zhenya Tsvetnenko) A$36,584 for the reimbursement of office rent, computer, telephone and offices supplies incurred by the consolidated group. The consolidated group shares an office with Mpire Media Pty Ltd in Perth, Western Australia.
- Digital CC Holdings Pty Limited paid Karis Holdings Inc (a company controlled by Alex Karis) US$89,106 for the reimbursement of office rent, computer and offices supplies, legal expenses incurred by the consolidated group, domain names, telephone and administration staff reimbursements for the personnel in the Boston office. The consolidated group shares an office with Karis Marketing Group in Boston, Massachusetts and these costs incurred by the consolidated group were charged through Karis Holdings Inc.
- Digital CC Limited paid Sibella Capital Pty Ltd (a company controlled by Brett Mitchell) A$45,000 as part of non–executive director fees and provision of corporate advisory consultancy services.
- Digital CC USA LLC extended a $250,000 credit facility at 1.25% interest rate to Karis Holdings Inc, of which $156,061 had been drawn down during the year.

Year ended 30 June 2015

- Digital CC Holdings Pty Limited paid Mpire Media Pty Ltd (a company controlled by Zhenya Tsvetnenko) A$52,328 for web assistance services.
- DigitalX Limited paid Mpire Media Pty Ltd (a company controlled by Zhenya Tsvetnenko) A$73,761 for the reimbursement of office rent, computer, telephone and offices supplies incurred by the consolidated group. The consolidated group shares an office with Mpire Media Pty Ltd in Perth, Western Australia.

- Digital CC IP Pty Ltd purchased the coin.org domain name from Zhenya Holdings Trust (a company controlled by Zhenya Tsvetnenko) for US$75,000. The purchase amount was the cost to acquire the domain name by Zhenya Holdings Trust from a third party unrelated vendor.
- Digital CC Holdings Pty Limited paid Karis Holdings Inc (a company controlled by Alex Karis) US$150,970 for the reimbursement of office rent, computer and offices supplies, legal expenses incurred by the consolidated group, domain names, telephone and administration staff reimbursements for the personnel in the Boston office. The consolidated group shares an office with Karis Marketing Group in Boston, Massachusetts and these costs incurred by the consolidated group were charged through Karis Holdings Inc.
- Digital CC Limited paid Sibella Capital Pty Ltd (a company controlled by Brett Mitchell) A$80,300 as part of non–executive director fees and provision of corporate advisory consultancy services.
- Digital CC Trading Pty Ltd leased 460TH of mining hardware to Peernova Inc (a company controlled by Emmanuel Abiodun) for US460,000. During the year the lease was terminated as part of a mutual agreement, with Peernova Inc retaining the mining equipment and DigitalX Trading Pty Ltd retaining the consideration received.

Other related party information:

- Mr Tsvetnenko is the Sole Director and Company Secretary and holder of half of the shares in Lydian Enterprises Pty Ltd ATF Lydian Trust.
- Mr Tsvetnenko is also the Sole Director of Magna Fortis Pty Ltd ACN 149 529 902, which has a right to receive approximately 17% of the shares in a related party, Technology IQ Limited.
- Mr Karis is the Sole Shareholder of Digital Man LLC.
- Mr Brindise is the Sole Shareholder of NRB International LLC.

End of audited Remuneration Report

Directors' Meetings

The Directors attendances at Board meetings held during the year were:

	Board Meetings	
	Number eligible to attend	Number attended
Zhenya Tsvetnenko	11	9
Alex Karis	11	11
William Brindise	11	9
Brett Mitchell	11	8

During the current financial period, the Board decided that given the size and scale of operations, that the full Board undertakes the roles undertaken by Audit and Risk Committee, Remuneration Committee and Nomination Committee.

Shares under option

As at the date of this report, there are 3,849,517 options to subscribe for unissued ordinary shares in the Company, comprising:

Date options granted	Vesting Date	Option class	Exercise price of options	Expiry date of options	Number of shares under option
6 June 2013, 14 May 2014	-	unlisted	$0.286	30 June 2017	3,849,517

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.

Shares issued on exercise of options

During or since the end of the financial period, the Company did not issue any ordinary shares as a result of the exercise of options.

Indemnification of officers and auditors

During the financial period, the Company paid a premium in respect of a contract insuring the Directors, secretary and officers of the Company and of any related body corporate against a liability incurred as such a Director, Secretary or Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Company has executed a Deed of Protection for each of the Directors. The Company has not otherwise, during or since the financial period, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Non-audit services

Amounts of $16,075 were paid to the auditor for non-audit, tax compliance services provided during the period. No amounts are payable as at the date of this report.

Auditor's Independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 34.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001.*

The Directors' Report is signed in accordance with a resolution of the Directors made pursuant to s. 298(2) of the Corporations Act 2001.

On behalf of the Directors

Alex Karis
Managing Director and CEO
Boston, 30 September 2016

Grant Thornton

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Auditor's Independence Declaration
To the Directors of DigitalX Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of DigitalX Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner - Audit & Assurance

Perth, 30 September 2016

Grant Thornton

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Independent Auditor's Report
To the Members of DigitalX Limited

Report on the financial report

We have audited the accompanying financial report of DigitalX Limited (the "Company"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of DigitalX Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001.

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2.1 in the financial report which indicates that the company incurred a net loss of $3,417,305 during the year ended 30 June 2016 and, as of that date, the company's cash outflows from operating and investing activities equate to $1,537,199. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Grant Thornton

Report on the remuneration report

We have audited the remuneration report included in pages 21 to 30 of the directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of DigitalX Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner - Audit & Assurance

Perth, 30 September 2016

In the opinion of the Directors of DigitalX Limited (the 'Company'):

(a) the financial statements, notes and the additional disclosures of the consolidated entity are in accordance with the Corporations Act 2001 including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the period then ended; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards, as stated in Note 2 to the financial statements.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial period ended 30 June 2016.

Signed in accordance with a resolution of the Directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the directors

Alex Karis
Managing Director and CEO
Boston, 30 September 2016

		CONSOLIDATED GROUP	
	Note	Year ended 30-Jun-16 US$	Year ended 30-Jun-15 US$
Other Income	7	52,492	56,496
Trading Desk Bitcoin Sales		38,426,994	29,337,136
Trading Desk Bitcoin Purchases		(37,872,792)	(28,750,849)
Professional and consultancy fees	8(a)	(620,876)	(1,054,278)
Corporate expenses		(196,022)	(127,775)
Advertising, media and investor relations		(116,364)	(320,360)
Employee benefit expenses		(1,457,448)	(1,798,885)
Share based payments – employee benefits		(182,195)	1,653,782
Loss of cash and coin on exchanges	8(b)	(130,983)	-
Depreciation		(9,712)	(6,585)
Amortisation		-	(5,946)
Joint venture investment write down		-	(1,047,011)
Intangible asset impairment	18	(1,106,641)	-
Realised and unrealised foreign exchange losses		(6,559)	(254,910)
Provision for doubtful debts		(261,936)	(170,906)
Other expenses	8(c)	(601,003)	(553,773)
Loss before tax		**(4,083,045)**	**(3,043,866)**
Income tax benefit/(expense)	9	-	-
Loss after income tax from continuing operations		**(4,083,045)**	**(3,043,866)**
Profit/(Loss) from discontinued operations	11	**665,740**	**(3,725,853)**
LOSS FOR THE PERIOD		**(3,417,305)**	**(6,769,719)**
Total comprehensive loss for the period			
Total comprehensive loss attributable to:			
Members of the parent entity		**(3,417,305)**	**(6,769,719)**
Loss per share attributable to the ordinary equity holders of the parent:			
Basic and diluted loss per share (cents)	12		
Loss from continuing operations		(0.023)	(0.020)
Earnings /(loss) from discontinued operations		0.004	(0.022)
Total		**(0.019)**	**(0.042)**

The accompanying notes form part of these financial statements

		CONSOLIDATED GROUP	
	Note	30-Jun-16 US$	30-Jun-15 US$
CURRENT ASSETS			
Cash and cash equivalents	13	1,042,288	2,608,103
Trade and other receivables	14	1,037,519	1,261,891
Prepayments	15	88,732	85,882
Bitcoins	16	163,380	1,011,230
Bitcoin mining hardware – assets held for sale	17	-	131,663
Total Current Assets		**2,331,919**	**5,098,769**
NON-CURRENT ASSETS			
Property, plant and equipment	21	24,250	16,435
Intangible assets	18	194,205	476,362
Total Non-Current Assets		**218,455**	**492,797**
TOTAL ASSETS		**2,550,375**	**5,591,566**
CURRENT LIABILITIES			
Trade and other payables	19	520,495	409,757
Accrued expenses		258,104	173,169
Restoration provisions	20	103,981	103,981
Total Current Liabilities		**882,580**	**686,907**
NON-CURRENT LIABILITIES			
Total Non-Current Liabilities		**-**	**-**
TOTAL LIABILITIES		**882,580**	**686,907**
NET ASSETS		**1,667,795**	**4,904,659**
EQUITY			
Issued capital	22	21,249,214	21,068,773
Reserves	23	642,360	1,821,980
Accumulated losses		(20,223,779)	(17,986,094)
TOTAL EQUITY		**1,667,795**	**4,904,659**

The accompanying notes form part of these financial statements

Consolidated Group	Issued Capital US$	Option Premium and Share Based Payment Reserve US$	Accumulated Losses US$	Total US$
Balance at 30 June 2015	**21,068,773**	**1,821,980**	**(17,986,094)**	**4,904,659**
Loss for the year	-	-	(3,417,305)	(3,417,305)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(3,417,305)	(3,417,305)
Shares issued during the period	182,195	-	-	182,195
Share issue costs	(1,754)	-	-	(1,754)
Share options and performance rights lapsed	-	(1,179,620)	1,179,620	-
Balance at 30 June 2016	**21,249,214**	**642,360**	**(20,223,779)**	**1,667,795**

Consolidated Group	Issued Capital US$	Option Premium and Share Based Payment Reserve US$	Accumulated Losses US$	Total US$
Balance at 30 June 2014	**18,404,582**	**3,475,762**	**(11,216,375)**	**10,663,969**
Loss for the year	-	-	(6,769,719)	**(6,769,719)**
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(6,769,719)	**(6,769,719)**
Shares issued during the period	2,843,834	-	-	2,843,834
Share issue costs	(179,643)	-	-	(179,643)
Share options and performance rights issued	-	(1,653,782)	-	(1,653,782)
Balance at 30 June 2015	**21,068,773**	**1,821,980**	**(17,986,094)**	**4,904,659**

[1] Refer note 23 for further information

The accompanying notes form part of these financial statements

	Note	Year ended 30-Jun-16 US$	Year ended 30-Jun-15 US$
Cash flows from operating activities			
Proceeds from sale of bitcoins		39,756,534	34,086,607
Payment for purchase of bitcoins		(35,131,516)	(30,457,412)
Payments for power and hosting		(2,217,728)	(3,803,369)
Interest received/ (paid)		-	1,970
Receipt/ (Payment) for Value Added Tax in Iceland		-	1,304,616
Receipt of lease fee for mining hardware		-	258,113
Other operating activities		-	-
Payments to suppliers and employees		(2,921,388)	(4,613,215)
Net cash used in operating activities	24	**(514,098)**	**(3,222,690)**
Cash flows from investing activities			
Payment for intellectual property		(849,707)	(462,064)
Interest received		-	-
Acquisition of property plant and equipment and bitcoin mining hardware		(17,333)	(1,193,853)
Investment in Joint Venture		-	(264,547)
Loan to related party		(156,061)	
Receipt for security deposit		-	600,000
Net cash used in investing activities		**(1,023,101)**	**(1,320,464)**
Cash flows from financing activities			
Proceeds from issue of equity securities		-	2,698,485
Receipt of shareholder loans (net)		-	-
Payments for share issue costs		(20,987)	(160,410)
Net cash (used in)/provided by financing activities		**(20,987)**	**2,538,075**
Net decrease in cash and cash equivalents held		**(1,558,186)**	**(2,005,079)**
Cash and cash equivalents at beginning of period		2,608,103	4,574,582
Foreign exchange movement in cash		(7,628)	38,600
Cash and cash equivalents at end of period		**1,042,289**	**2,608,103**

During the year the Group entered into the following non-cash transactions:

The accompanying notes form part of these financial statements

1. CORPORATE INFORMATION

The consolidated historical financial statements of DigitalX Limited and its controlled entities (collectively, the Consolidated Entity or Group) for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 30 September 2016.

DigitalX Limited (the Company or the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The Company is a for-profit entity.

The nature of the operations and principal activities of the Group are described in the Directors' Report. Information on the Group's structure is provided in Note 26. Information on other related party relationships is provided in Note 25.

2. 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, except as described at Note 2.2. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

2.1 Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASs) and interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. All amounts are presented in United States Dollars, unless otherwise noted.

Compliance with IFRS

The consolidated financial report of the Group also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The consolidated financial report has been prepared under the historical cost convention, except for bitcoin holdings inventory that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Cost is based on the fair value of the consideration given in exchange for assets.

Going concern

During the year ended 30 June 2016 the consolidated entity has incurred a net loss after tax of $3,417,305 (30 June 2015: $6,769,719) and net cash outflows from operating and investing activities of $1,537,199 (30 June 2015: $4,543,154). As at 30 June 2016 the consolidated entity had cash assets of $1,042,288 (30 June 2015: $2,608,103), Bitcoin current assets of $163,380 (30 June 2015: $1,011,230) and had a working capital surplus of $1,449,339 (30 June 2015: $4,411,862).

At the date of this report the consolidated entity's 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 signing the financial report, but this is dependent on the factors as described below.

- Given the volatile nature of the industry in which the consolidated entity operates and the "start-up" nature of a number of businesses in the group, the consolidated entity is subject to a number of risks and uncertainties that may adversely impact future trading results and cash flows which may in turn result in the consolidated entity requiring additional funding, either through raising additional equity or debt. The consolidated entity has been successful in a capital raise post year-end as described in Note 29 *Post-reporting date events*.
- The consolidated entity's ability to continue as a going concern may be determined based on the success of its foremost venture, AirPocket. Whether this venture will achieve the budgeted cash flows is subject to a high level of uncertainty due to the early stage of implementation, the requirement for additional capital and operating expenditure to ensure the product is successful, the nature of the related technology, and the lack of clearly identifiable normal operating cycles.
- Fluctuations in the bitcoin price given the consolidated entity's reliance on the success of its bitcoin trading segment, which is difficult to predict and is highly volatile. The price directly influences the profitability of the consolidated entity and the value of bitcoin inventory held, with falls in price lowering profitability and rises in price increasing profitability. Evidence of the high degree of volatility is set-out below.

Date	Bitcoin price per Bitfinex (US$)
30 June 2013	89
31 December 2013	739
30 June 2014	640
31 December 2014	320
30 June 2015	262
31 December 2015	430
30 June 2016	673
31 August 2016	572
30 September 2016	604

Due to the significance of the risks and uncertainties referred to above, in the opinion of the directors, material uncertainty exists regarding the ability of the consolidated entity to continue as a going concern or pay its debts as and when they become due and payable.

If the consolidated entity is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than at amounts recorded in the year-end financial statements. No adjustments have been made to the year-end financial report relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Presentation and functional currency

Presentation currency

The consolidated financial report is presented in United States Dollars.

Functional currency

The individual financial statements of each Group 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 United States dollars ('US$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. Due to the nature of these activities for all entities in the Group the functional currency has been determined to be US$.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.2 New Accounting Standards and Interpretations

Standards and Interpretations in issue not yet adopted

The following table lists Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective and have not been early adopted by the Company for the reporting period ended 30 June 2016. These particular standards are considered relevant to the entity based on the balances and transactions presented within these financial statements.

New / revised pronouncement	Superseded pronouncement	Nature of the change	Effective date	Application date for Company
AASB 15 Revenue from Contracts with Customers 5	AASB 118 *Revenue* AASB 111 *Construction Contracts* Int. 13 *Customer Loyalty Programmes* Int. 15 *Agreements for the Construction of Real Estate* Int. 18 *Transfer of Assets from Customers* Int. 131 *Revenue – Barter Transactions Involving Advertising Services* Int. 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*	AASB 15: • replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and some revenue-related Interpretations: – establishes a new revenue recognition model – changes the basis for deciding whether revenue is to be recognised over time or at a point in time – provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing) – expands and improves disclosures about revenue In May 2015, the AASB issued ED 260 *Income of Not-for-Profit Entities*, proposing to replace the income recognition requirements of AASB 1004 *Contributions* and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.	1 January 2018	1 July 2018
AASB 9 Financial Instruments (December 2014)	AASB 139 *Financial Instruments: Recognition and Measurement*	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are: a Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows. b Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. d Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. e Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI) • the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2018	1 July 2018

New / revised pronouncement	Superseded pronouncement	Nature of the change	Effective date	Application date for Company
		Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: • classification and measurement of financial liabilities; and • derecognition requirements for financial assets and liabilities AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.		
AASB 16 Leases	AASB 117 *Leases* Int. 4 *Determining whether an Arrangement contains a Lease* Int. 115 *Operating Leases—Lease Incentives* Int. 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	AASB 16: • replaces AASB 117 *Leases* and some lease-related Interpretations • requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases • provides new guidance on the application of the definition of lease and on sale and lease back accounting • largely retains the existing lessor accounting requirements in AASB 117 requires new and different disclosures about leases	1 January 2019	1 July 2019
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	None	The amendments to AASB 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB 3 *Business Combinations*, should: 1 Apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not re-measured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and 2 Provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards	1 January 2016	1 July 2017

New / revised pronouncement	Superseded pronouncement	Nature of the change	Effective date	Application date for Company
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	None	The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment. The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances: 1 The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.	1 January 2016	1 July 2017

Management are in the process of determining the potential impact of the initial application of the Standards and Interpretations. These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

New and revised standards that are effective for these financial statements

A number of new and revised standards are effective for the current reporting period, however there was no need to change accounting policies or make retrospective adjustments as a result of adopting these standards as they were clearly not applicable to the balances and transactions presented within these financial statements

2.3 Principles of consolidation

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

2.4 Current and Non-Current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset as current when it is:

- expected to be realised or intended to sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, if any, and excluding taxes or duty.

Revenue is recognised when the specific recognition criteria described below have been met:

- Bitcoin Mining
  Revenue earned from Bitcoin processing activities, commonly termed ‘mining’ activities, is recognised at the fair value of the Bitcoins received as consideration on the date of actual receipt, fair value being measured using the closing price of the Bitfinex exchange on the date of receipt. Refer to Note 4(a) for further discussion about the Group’s revenue recognition policy for Bitcoin mining activities.

- Interest revenue
  Interest income is recognised on a time proportion basis that takes into account the effective yield on the financial asset.

- Liquidity Desk, digitalX Direct and Market Making Transactions
  Refer to Note 2.6

2.6 Liquidity Desk, digitalX Direct and Market Making Transactions

Revenue from the sale of bitcoins through the Liquidity Desk, digitalX Direct and Market Making is recognised when the Group transfers the risks and rewards of ownership of the bitcoins to its customers. The transfer of the bitcoins is completed through the issue of electronic instructions to the bitcoin network to facilitate the transfer and the transaction is recorded into the Blockchain.

Cost of sales on transactions in Liquidity desk, digitalX Direct and Market Making represents the fair value of bitcoins purchased in the market on the date of sale. Any fair value movements arising between date of purchase of bitcoins and the date of sale are included in the net fair value gains and losses on bitcoin inventory in the statement of profit or loss and other comprehensive income.

No Trading revenue is recognised on the sale of mined bitcoins which are either sold on an exchange (i.e. not an over the counter transaction) or utilised as an exchange medium in place of fiat currency. Accordingly the amounts included on the statement of profit or loss and other comprehensive income in relation to mined bitcoins is revenue from bitcoin mining and net fair value gain and loss on bitcoin inventory held for trading.

Accounts payable and accounts receivable which are denominated in bitcoins are initially recognised at the bitcoin price on the Bitfinex exchange at transaction date and as at the reporting date are translated into United States dollars using the quoted bitcoin price on the Bitfinex exchange. Any difference between the initial transaction value and the accounts payable or accounts receivable at reporting date is recognised in net fair value gains and losses on bitcoin inventory in the statement of profit or loss and other comprehensive income.

2.7 Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 ‘Impairment of Assets’ as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

2.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.9 Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

2.10 Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income or tax loss based on the applicable income tax rate for each jurisdiction.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be

sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation

The Company and its wholly-owned Australian tax resident entities are part of a tax-consolidated group under Australian taxation law. The head entity within the tax-consolidated group is DigitalX Limited. DigitalX Holdings joined the DigitalX Limited tax consolidation group on 26 May 2014.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial reports of the members of the tax-consolidated group using the 'separate taxpayer within group' approach, by reference to the carrying amounts in the separate financial reports of each entity and the tax values applying under tax consolidation. Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the wholly-owned entities are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. The head entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the assets can be utilised.

Refer to Note 4(f) (ii) for discussion of key estimation uncertainties in respect of current and deferred income taxes.

2.11 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 Group's holdings of bitcoins which are classified as bitcoin inventory (refer to Note 2.13 below).

2.12 Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Plant and equipment are depreciated or amortised on a reducing balance or straight line basis at rates based upon their expected useful lives as follows:

- Bitcoin mining computer equipment – diminishing value at 25% per month, with the remaining carrying value of the equipment being fully depreciated in the month where the carrying value is 10% or less than the asset's original cost price
- Computer equipment – 3 years

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives. The estimated residual value of plant and equipment has been assessed to be zero. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with their carrying amount.

Refer to Note 4(f)(i) for a discussion of the estimation uncertainty in respect of the determination of the appropriate method of depreciation, the underlying useful life and the estimation of residual values in respect of Bitcoin computer mining hardware.

2.13 Bitcoin inventory

Bitcoin is an open-source software-based online payment system where payments are recorded in a public ledger using its own unit of account called a bitcoin. The Group is a broker-trader of bitcoin as it buys and sells bitcoins principally for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. The Group measures bitcoin inventory 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. Bitcoins are derecognised when the Group has transferred substantially all the risks and rewards of ownership. As a result of the Bitcoin protocol, costs to sell Bitcoin inventories are immaterial in the current period and no allowance is made for such costs.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Bitcoin inventory fair value measurement is a Level 1 fair value as it is based on a quoted (unadjusted) market price (Bitfinex exchange) in active markets for identical assets.

Bitcoin inventory is derecognised when the Group disposes of the inventory through its trading activities or when the Group otherwise loses control and, therefore, access to the economic benefits associated with ownership of the Bitcoin inventory.

Refer to Note 4(b) and (c) for further discussion of the Group's accounting policy in respect of Bitcoin inventory valuation and the judgement made in determining that such inventories are carried as commodity broker-trader inventory.

2.14 Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group 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 above.

2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

2.17 Employee benefits

Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

2.18 Goods and services or Value Added Tax

Revenues, expenses and assets are recognised net of the amount of associated GST or VAT, except:

- where the GST or VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST or VAT is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST or VAT.

The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.
Cash flows are presented on a gross basis. The GST or VAT component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

2.19 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) after tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued or cancelled during the period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.20 Share based payments

Employees and consultants of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions, for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.21 Parent entity financial information

The financial information for the parent entity, DigitalX Limited, disclosed in note 28 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(a) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of DigitalX Limited.

(b) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(c) Tax consolidation legislation

DigitalX Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.
The head entity, DigitalX Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, DigitalX Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate DigitalX Limited for any current tax payable assumed and are compensated by DigitalX Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to DigitalX Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial period. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

3. FINANCIAL RISK MANAGEMENT

The Group's investment activities expose it to a variety of financial risks: bitcoin price risk, foreign exchange risk, liquidity risk, and interest rate risk. The Group's and the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risks to which it is exposed. The method used is sensitivity analysis for each of foreign exchange risk, liquidity risk and interest rate risk.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated losses. The Group is debt free, except for trade payables (note 19).

Operating cash flows have been used by the Group in the period to invest in Bitcoin mining, trading and software development activities and to fund corporate costs of the Company.

The Group holds the following financial instruments:

	2016 US$	2015 US$
Financial Assets		
Cash and cash equivalents	1,042,288	2,608,103
Receivables	1,037,519	1,261,891
	2,079,807	3,869,994
Financial liabilities		
Trade and other payables	520,495	409,757

(a) Foreign exchange risk

The Group and the parent entity operate internationally, and during the period were exposed to foreign exchange risk arising from currency exposures, primarily with respect to the USD/AUD dollar rates.

Foreign exchange risks arise from future commercial transactions and recognized assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management regularly monitors exposure to foreign exchange risk, but do not have a current hedging policy in place. It is intended that this policy will be continuously assessed in line with funding requirements for each of the investment opportunities.

As of 30 June 2016, the Group had exposure to foreign currency risk within its recognised assets and liabilities. The Cash and Cash equivalents included $45,978 (2015: $177,205) held in AUD bank accounts, being AUD$62,132 (2015: AUD$230,735).

Group sensitivity – foreign exchange risk

Based upon the financial instruments held as at 30 June 2016, had the Australian dollar weakened/strengthened 10% against the US dollar with all other variables held constant, the group's results for the period would not be material.

(b) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group deposit funds at both short-term fixed and floating rates of interest. The Group did not have any interest bearing liabilities as at balance date.

The Group exposure to interest rates on financial assets and liabilities is detailed in the liquidity risk management section of this note.

Interest rate sensitivity

A change in interest rates would not have a material impact on the profit and equity for the current and previous periods of the Group or the Parent entity.

(c) Fair value estimation

The Directors consider that the carrying amount of financial assets and financial liabilities, as recorded in the financial statements, represent or approximate their respective fair values.

(d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who oversee a liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring there are appropriate plans in place to finance these future cash flows.

	Weighted average effective interest rate	*Less than 1 month* Interest bearing - variable	*1 to 3 months* Interest bearing - variable	*Less than 1 month* Non-interest bearing	*1 to 3 months* Non-interest bearing
	%	US$	US $	US $	US $
2016					
Cash and cash equivalents	0.036	1,042,288	-	-	-
Other receivables	-	-	156,061	879,586	-
Other payables	-	-		(520,495)	-
2015					
Cash and cash equivalents	0.036	2,608,103	-	-	-
Other receivables	-	-	-	1,261,891	-
Other payables	-	-	-	(409,757)	-

The Liquidity and Interest rate risk table above has been drawn up based on the undiscounted cash flow (including both interest and principal cash flows expected) using contractual maturities of financial assets and the earliest date on which the Group can be required to pay financial liabilities. Amounts for financial assets include interest earned on those assets except where it is anticipated cash will occur in a different period.

4. 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 Note 4(f)), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Revenue from Bitcoin Mining

The Group generates revenue by providing computer processing activities for bitcoin generation and transaction processing services on the public ledger system known as the Bitcoin Blockchain. In the crypto-currency industry such activity is generally referred to as Bitcoin mining. The Group receives

consideration for providing such Bitcoin mining activities in the form of Bitcoins. The Group has determined that the substance of its Bitcoin mining activities is service provision under the scope of AASB 118 *Revenue* notwithstanding that there is no contractual arrangement under which it provides such services as the services are provided instead through open source software being the Bitcoin protocol. Furthermore, the nature of the Bitcoin protocol is such that the Group is unable to determine in advance the consideration that it will receive, if any, for the Bitcoin mining services that it provides and, therefore, the Group is unable to estimate reliably the outcome of its mining activities in advance of actual receipt of consideration in the form of Bitcoins. Because of the uncertainty over both the timing and amount of the consideration that the Group will receive for undertaking mining activities, management has determined that revenue should only be recognised on actual receipt of Bitcoins as consideration for services provided.

Bitcoins received for mining activities are, therefore, recognised as revenue at fair value on the day of receipt in a private bitcoin wallet controlled by the Group. The fair value of Bitcoins received is determined in accordance with the Group's accounting policy, see Note 4(c) Fair value of Bitcoins below. Bitcoins received are recognised immediately as Bitcoin inventory into the trading book. As revenues from Bitcoin mining activity is measured on an as received basis revenues are neither earned on a constant basis over time, nor necessarily in a direct relationship to computer processing capacity utilised. As a consequence, future generation of Bitcoins and, therefore future revenues, from Bitcoin mining activities may be subject to volatility due to factors outside the Group's control.

(b) Bitcoin inventory

Management considers that the Group's bitcoins are a commodity. As International Financial Reporting Standards do not define the term 'commodity,' management has considered the guidance in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (AASB 108) that allows an entity to consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practice to the extent that these do not conflict with the requirements of the International Financial Reporting Standards and the International Accounting Standards Board *Conceptual Framework.* Under United States Generally Accepted Accounting Principles (US GAAP) as set out in the Master Glossary of the Accounting Standards Codification, a commodity has been defined as "products whose units are interchangeable, are traded on an active market where customers are not readily identifiable, and are immediately marketable at quoted prices." Based on this definition and the guidance in AASB 108, management has therefore determined that Bitcoins are a commodity notwithstanding that Bitcoins lack physical substance.

The Group's activities include trading Bitcoins, primarily the buying and selling of Bitcoins and to a lesser extent trading in other Bitcoin trading products and, therefore, subsequent to initial recognition, Bitcoin inventory (whether received as consideration for mining activities or acquired through purchase) is held at fair value less costs to sell, reflecting the Group's purpose of holding such Bitcoin inventory as a commodity broker-trader in accordance with AASB 102 *Inventories*. As a result of the Bitcoin protocol, costs to sell Bitcoin inventories are immaterial and no allowance is made for such costs. Changes in the amount of Bitcoin inventories based on fair value are included in profit or loss for the period.

Bitcoin inventory is derecognised when the Group disposes of the inventory through its trading activities or when the Group otherwise loses control, and, therefore, access to the economic benefits associated with ownership of the Bitcoin inventory. Inventory shrinkage arising from denial of access to the economic benefits associated with ownership of Bitcoin inventory are recognised as an expense in profit or loss on identification.

(c) Fair value of Bitcoins

Bitcoin inventory is measured at fair value using the quoted price in United States dollars on the Bitfinex exchange (www.Bitfinex.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 Bitfinex exchange represents a quoted price (unadjusted) in an active market for identical assets. Management has selected the Bitfinex exchange as it is a major Bitcoin exchange 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 Group.

(d) Normal operating cycle

The Group is in its second year of operations in a newly emerging industry and management do not consider that there is currently a clearly identifiable normal operating cycle for a business of this nature. For the purposes of these consolidated financial statements the Group has, therefore, presented a

classified balance sheet presenting current and non-current assets and liabilities assuming a normal operating cycle of 12 months. The Group will continue to reassess whether this assumption remains appropriate at each reporting date. As set out in Note 2.12 and 4f(i) , the future economic benefits of the Bitcoin computer mining hardware is expected to be consumed at the rate of 25% per month on a diminishing value basis. A consequence of this basis of depreciation is that Bitcoin computer mining hardware is presented as a current asset in the Statement of Financial Position.

(e) Capitalisation of development costs

The Group has been engaged in the development of its mobile application remittance software, "AirPocket". The development activities are part of an internal project, with costs incurred both by an internal software development team and through the outsourcing of development activities to external contractors. The total cost capitalised on the project at 30 June 2016 is US$1,207,220.

An intangible asset arising from the development phase of an internal project shall be recognised if, and only if, an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The company has evaluated the criteria required to be satisfied for an intangible asset arising from the development phase of an internal project to be recognised and conclude in respect to AirPocket that all conditions required to recognise an intangible asset generated from development of an internal project have been demonstrated. In particular the Group has entered memorandum of understanding (MoU) with global partners to form a Joint Venture Company (JVC) to facilitate the distribution and roll out of AirPocket through Latin America and the Caribbean.

The Company has evaluated the future economic benefit by modelling the expected future cash flows to estimate a value of the asset.

The Company has raised a US$1,106,641 impairment provision against the costs capitalised for its AirPocket intangible asset. This provision has been recorded in the current period as a result of a lack of historical data with respect to the estimates used in determining the fair value of AirPocket. The provision is to be reassessed at the next reporting date with anticipation that more information will be available to assess the recoverable amount of the asset.

(f) 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.

(i) Property, plant and equipment

The Directors have assessed the basis of depreciation of the Bitcoin computer mining hardware at 25% per month on a diminishing value basis.

The Bitcoin computer mining hardware is used to generate Bitcoins (refer to discussion on Revenue from Bitcoin Mining discussed in Note 4(a)). The rate at which the Group generates bitcoins and, therefore, consumes the economic benefits of its Bitcoin computer mining hardware is influenced by a number of factors including the following:

- the complexity of the Mining process which is driven by the algorithms contained within the Bitcoin open source software;
- the general availability of appropriate computer processing capacity on a global basis (commonly referred to in the industry as hashing capacity which is measured in Petahash units); and

- technological obsolescence reflecting rapid development in the Bitcoin mining computer hardware industry such that more recently developed hardware is more economically efficient to run in terms of Bitcoins mined as a function of operating costs, primarily power costs i.e. the speed of hardware evolution in the industry is such that later hardware models generally have faster processing capacity combined with lower operating costs and a lower cost of purchase.

Because of both the Group and the industry's relatively short life cycle to date management has only limited data available to it. Furthermore the data available also includes data derived from the use of economic modelling to forecast future Bitcoin generation and the assumptions included in such forecasts, including bitcoin price and network difficulty, are derived from management assumptions which are inherently judgemental. Based on current data available management has determined that 25% diminishing value best reflects the current expected useful life of Bitcoin computer mining hardware, the diminishing value determined for financial year ending 30 June 2016 is in line with the value applied for the financial year ending 30 June 2015. Management will review this estimate at each reporting date and will revise such estimates as and when data comes available. Whilst it is currently expected that the Group will dispose by sale of Bitcoin mining hardware at the end of its useful life due to the small volume of such transactions to date the Bitcoin computer mining hardware has been assumed to have no residual value at the end of its useful life. Management will review the appropriateness of its assumption of nil residual value at each reporting date.

As set out in Accounting Policy note 2.12 management also assess whether there are any indicators of impairment of property, plant and equipment at the end of each reporting period and if any such indication exists, the Group will estimate the recoverable amount of its property, plant and equipment, including the Bitcoin mining computer hardware.

To the extent that any of the assumptions underlying management's estimate of the useful life of the Bitcoin mining computer hardware are subject to revision in a future reporting period either as a result of changes in circumstances or through the availability of better data then in future the rate of depreciation may change impacting both the depreciation expense charged to the profit or loss and the carrying value of Bitcoin mining computer hardware in the Statement of Financial Position.

During the financial year ending 30 June 2016 the Group has ceased its Bitcoin mining operations and disposed of all its Bitcoin mining equipment, therefore estimation uncertainties around Bitcoin mining hardware will no longer be applicable going forward.

(ii) Taxation

Income taxes

The Group operates in a newly emerging industry and the application of taxation laws in Australia, the United States and Iceland (the principal countries in which the Group currently operates) in relation to the Group's activities may change from time to time. Changes in the taxation laws or in assessments or interpretation or decisions in respect of, but not limited to the following, may have a significant impact on the Group's results:

- Jurisdiction in which and rates at which income is taxed;
- Jurisdiction in which and rates at which expenses are deductible;
- The nature of income taxes levied, for example whether taxes are assessed on the revenue account or on the capital account;
- Requirements to file tax returns; and
- The availability of credit for taxes paid in other jurisdictions, for example through the operation of double taxation treaties

In recognition of the limited trading and tax history of the Group, management do not consider there is sufficient evidence of probability of the ability to utilise temporary differences and tax losses and hence no deferred tax asset has been recognised as at 30 June 2016 in relation to these assets. The Group will continue to assess the performance and may in the future recognise some or all of these assets.

The Group has taken the approach to calculate income tax expense on the basis that all revenue and expenses attributable to its mining operations are taxable in Australia and all revenue and expenses attributable to its trading operations are taxable in the United States in addition to certain employee costs incurred in the United States plus an appropriate mark-up.

Notwithstanding that the Group has concluded that it will only be liable for tax in Australia and the United States, the Group has made some preliminary estimates on the liability which may arise should the Icelandic tax authorities conclude that the Group is taxable in Iceland. In making this assumption the Group has considered a range of possible scenarios and believe it to be remote that the Group will not be entitled to the deductibility of related expenses incurred. On this basis the Group estimates the Icelandic tax liability as at 30 June 2016 not to be material. Currently the corporate tax rate in Iceland is 20% and no tax treaty exists between Iceland and Australia.

(iii) Options and performance rights

During the current year, 8,316,710 Unlisted Options expiring 6 June 2016, have lapsed, the financial effect was a credit to the Accumulated losses of $1,179,620.

During the current year Class A Performance rights have lapsed, the financial effect of the lapsing was nil, as the reassessment of the fair value to nil had been recognised in the prior financial year.

During the prior financial year the Directors reassessed the probability that the Class A and Class B Performance Rights would vest at 1 July 2015 and 1 July 2016 respectively. The Directors had reassessed the probability that the Class A and Class B Performance Rights will vest to 0%. Therefore the fair value of the Class A and Class B Performance Rights had been determined to be nil. The financial effect of the reassessment was a credit to the profit and loss in the prior financial year of $1,653,782 as the performance rights are not expected to vest.

5. DIVIDENDS

There are no dividends paid or declared during the period.

6. SEGMENT INFORMATION

Segment reporting

Based on the information used for internal reporting purposes by the chief operating decision maker, being the Board and executive committee which makes strategic decisions, at 30 June 2016 the group operated two reportable segments being the Software development, trading operations. Bitcoin mining segment operated during the year and was discontinued as at 30 June 2016.

	Trading		Software development		Unallocated		Mined Coins Transfer Elimination		Total	
	Year ended 30-Jun-16	Year ended 30-Jun-15	Year ended 30-Jun-16	Year ended 30-Jun-15	Year ended 30-Jun-16	Year ended 30-Jun-15	Year ended 30-Jun-16	Year ended 30-Jun-15	Year ended 30-Jun-16	Year ended 30-Jun-15
Segment reporting	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Revenue										
Liquidity Desk revenue	25,033,911	18,551,539	-	-	-	-	(2,572,851)	(3,787,315)	22,461,060	14,764,224
digitalX Direct revenue	13,794,644	10,520,572	-	-	-	-	-	-	13,794,644	10,520,572
Market Making revenue	2,171,289	4,052,340	-	-	-	-	-	-	2,171,289	4,052,340
Other income	33,913	48,226	-	-	18,579	8,270	-	-	52,492	56,496
Discontinued operations									3,231,382	4,097,503
Total segment income	41,033,757	33,172,677	-	-	18,579	8,270	(2,572,851)	(3,787,315)	41,710,867	33,491,135
Results										
Segment result										
Profit/(Loss) before income tax	6,370	88,791	(1,106,641)	-	(2,982,774)	(3,138,610)	-	-	(4,083,045)	(3,043,866)
Income tax expense	-	-	-	-	-	-	-	-	-	-
Profit /(Loss) after income tax from continuing operations	6,370	88,791	(1,106,641)	-	(2,982,774)	(3,138,610)	-	-	(4,083,045)	(3,043,866)
Profit (Loss) from discontinued operations									665,740	(3,725,853)
Loss attributable to members of the parent entity									(3,417,305)	(6,769,719)
Other										
Depreciation of segment assets	-	-	-	-	9,712	6,585	-	-	9,712	6,585
Amortisation of segment assets	-	-	-	-	-	5,946	-	-	-	5,946
Reconciliation of underlying EBITDA										
Profit/(Loss) after income tax									(3,417,305)	(6,769,719)
Interest									(1,876)	(2,456)
Taxation									-	(27,141)
Depreciation									141,594	3,637,598
Amortisation									-	5,946

	Trading		Software development		Unallocated		Mined Coins Transfer Elimination		Total	
	Year ended 30-Jun-16	Year ended 30-Jun-15	Year ended 30-Jun-16	Year ended 30-Jun-15	Year ended 30-Jun-16	Year ended 30-Jun-15	Year ended 30-Jun-16	Year ended 30-Jun-15	Year ended 30-Jun-16	Year ended 30-Jun-15
Segment reporting	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
EBITDA									(3,277,587)	(3,155,913)

Revenue earned from external customers by geography is not able to be disclosed as the information is not available to the Group. The Group's Trading segment has a diverse customer base, 17% of Trading segment revenue is dependent on a single customer (2015: 12%)

	Trading		Software development		Unallocated		Total	
	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
Segment reporting	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Assets								
Segment assets	852,545	1,368,323	263,959	382,736	1,433,871	2,657,720	2,550,375	4,408,779
Total assets	852,545	1,368,323	263,959	382,736	1,433,871	2,657,720	2,550,375	4,408,779
					Assets pertaining to discontinued operations		-	1,182,787
					Total Assets		2,550,375	5,591,566
Liabilities								
Segment liabilities	134,497	-	200	25,423	543,428	580,306	678,125	605,729
Total liabilities	134,497	-	200	25,423	543,428	580,306	678,125	605,729
					Liabilities pertaining to discontinued operations		204,455	81,178
					Total Liabilities		882,580	686,907

Additions to non-current assets during the period were in the form of, plant and equipment of $17,528 and intangible assets of $824,484

7. OTHER INCOME

	Year ended 30-Jun-16 US$	Year ended 30-Jun-15 US$
Interest received	1,876	2,456
Gain on trading mined coins	33,913	48,226
Other income	16,703	5,814
Total other income	**52,492**	**56,496**

8. EXPENSES

(a) Professional and Consultancy fees

	Year ended 30-Jun-16 US$	Year ended 30-Jun-15 US$
Legal fees	442,081	470,584
Consulting fees	62,453	237,634
Tax consulting fees	16,075	106,173
Audit fees	100,267	239,887
Total professional and consultancy fees	**620,876**	**1,054,278**

(b) Loss of cash and coins on exchange

	Year ended 30-Jun-16 US$	Year ended 30-Jun-15 US$
Loss of cash and coins on exchange	130,983	-
Total loss of cash and coins on exchange	**130,983**	**-**

(c) Other expenses

	Year ended 30-Jun-16 US$	Year ended 30-Jun-15 US$
Office and administration	267,333	159,557
Bank charges	21,734	9,093
Other expenses	311,936	385,123
Total other expenses	**601,003**	**553,773**

9. INCOME TAX

	Year ended 30-Jun-16 US$	Year ended 30-Jun-15 US$
Current tax expense		
Current period – income tax charge / (income)		
Australia	-	-
USA	-	-
Adjustment – current income tax of previous periods		
Australia	-	(17,880)
USA	-	(9,261)
Total income tax (benefit) in profit or loss	**-**	**(27,141)**

Numerical reconciliation of tax expense to prima facie tax payable

Loss before tax – continuing and discontinued operations	3,417,305	6,796,860
At the Group's statutory income tax rates of Australia: 30%, USA 36%	(1,025,191)	(2,039,058)
Differences in income tax expense due to:		
Effect of expenses that are not deductible in determining taxable profit	10,877	82,769
Effect of other non-assessable income	-	(496,135)
Effect of expenses that are deductible in determining taxable profit	1,462	314,103
Effect of different tax rates of subsidiaries operating in other jurisdictions	(65,642)	(1,539)
Impairment losses that are not deductible	331,992	-
Other	(43,565)	69,692
	(790,067)	(2,070,168)
Deferred tax assets not recognised	790,067	2,043,027
Income tax (benefit) recognised in profit or loss	-	(27,141)

Income tax benefit is attributable to:

Loss from continuing operations	-	-
Loss from discontinued operations	-	(27,141)
	-	(27,141)

The tax rate used for the reconciliation above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Current tax assets and liabilities

Current tax liability	-	
Income tax payable	-	-
Total current tax liability	**-**	**-**

Deferred tax assets and liabilities

As at 30 June 2016 the Group has gross revenue tax losses available to be applied in the future periods in the United States and Australia estimated to be US$2 million and US$7.2 million respectively. In addition the Group has gross capital losses in Australia estimated at $0.8 million at 30 June 2016. Following a review of the recoverability of the deferred tax losses an asset will not be recognised as uncertainty exists over future recoverability of the deferred tax losses. Refer note 4(f)(ii) for further information. Other than tax losses there are no other material temporary differences.

10. REMUNERATION OF AUDITORS

	Year ended 30-Jun-16 US$	Year ended 30-Jun-15 US$
Remuneration of the auditors of the Company for:		
Deloitte Touche Tohmatsu		
Grant Thornton Audit Pty Ltd [1]		
Audit and review of financial reports	84,191	133,714
Non-audit services – tax compliance	16,075	106,173
	100,266	**239,887**

[1] During the financial year ending 30 June 2016 the Company had changed auditors to Grant Thornton Audit Pty Ltd.

11. DISCONTINUED OPERATIONS

11.1 Wind up of Bitcoin mining operations

On the 8 January 2016 the Group and the Bitcoin mining power and hosting provider Verne had actioned an amendment to the master service agreement between the two parties, releasing the Group as at 2 June 2016 from any future financial obligation as was stipulated under the master service agreement.

The termination of the master service agreement market the full wind up of the bitcoin mining operations as the group is now shifting its focus to the AirPocket remittance platform.

11.2 Analysis of profit or loss for the year from discontinued operations

The combined results of the discontinued operations (i.e. Bitcoin mining) included in the loss for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	Year ended 30-Jun-16	Year ended 30-Jun-15
Profit/(Loss) for the year from discontinued operations		
Revenue from bitcoins mined	1,904,171	6,414,134
Net fair value gain/(loss) on bitcoin inventory	1,307,211	(3,109,492)
Other Income	20,000	798,673
Power and hosting expenses	(2,357,629)	(4,007,170)
Hardware Repair expense	(9,881)	(122,314)
Depreciation	(131,882)	(3,631,013)
Employee benefit expenses	(66,250)	(95,812)
Profit/(Loss) before income tax	**665,740**	**(3,752,994)**
Attributable income tax benefit	**-**	**27,141**
Profit for the year from discontinued operations (attributable to owners of the Company)	**665,740**	**(3,725,853)**
Cash flows from discontinued operations		
Net Cash Inflows from Operating activities	274,264	1,321,425
Net Cash Inflows/(Outflows) from Investing activities	-	(1,175,985)
Net Cash Inflows from Financing activities	-	-
Net Cash Inflows	**274,264**	**145,440**

12. EARNINGS PER SHARE

	Year ended 30-Jun-16	Year ended 30-Jun-15
Basic and diluted earnings/(loss) per share (cents)		
From continuing operations	(0.023)	(0.020)
From discontinued operations	0.004	(0.022)
Total	(0.019)	(0.042)
The earnings/(loss) used in the calculation of basic and diluted loss per share are as follows:		
From continued operations	**(4,038,045)**	**(3,043,866)**
From discontinued operations	**665,740**	**(3,725,853)**
Weighted average number of ordinary shares on issue during the period used in the calculation of basic and diluted EPS	177,889,485	162,848,690

Potential ordinary shares in the form of share options and rights (refer note 22) are not considered to be dilutive.

As the Group made a loss for the period, diluted earnings per share is the same as basic earnings per share. The impact of the dilution would be to reduce the loss per share.

13. CURRENT ASSETS – Cash and cash equivalents

	30-Jun-16 US$	30-June-15 US$
Cash at bank	262,005	2,222,748
Cash deposits at call	780,283	385,355
Total cash and cash equivalents	**1,042,288**	**2,608,103**

Cash deposits at all include cash balances on exchanges. The balance originates following a liquidation of bitcoin.

14. CURRENT ASSETS – TRADE & OTHER RECEIVABLES

	30-Jun-16 US$	30-Jun-15 US$
Trade receivables, gross	1,102,920	1,158,619
Allowance for doubtful accounts	(250,374)	(167,370)
Trade receivables, net	**852,546**	**991,249**
Other receivables		
GST receivable	13,480	27,724
VAT receivable - Iceland	-	39,895
Loan to a related party[1]	157,932	-
HashMax Inc receivable	-	165,064
Other	13,561	37,959
Total trade and other receivables	**1,037,519**	**1,261,891**
Trade receivables, net, analysis		
Not more three (3) months	749,834	900,471
More than three (3) months but not more than six (6) months	-	90,778
More than three (6) months but not more than one (1) year	102,712	-
Total	**852,546**	**991,249**

[1] During the financial year a credit line was extended to a related party, refer to Note 25 (c).

15. CURRENT ASSETS – PREPAYMENT

	30-Jun-16 US$	30-Jun-15 US$
Current		
Prepayment of future cash calls for restoration obligations	77,198	77,198
Prepayment of insurance and ASX listing fees	1,553	8,684
Prefunding of AirPocket Top up	9,981	-
Total Prepayments	**88,732**	**85,882**

16. CURRENT ASSETS - BITCOINS

	30-Jun-16 US$	30-Jun-15 US$
Bitcoins	163,380	1,011,230
Total Bitcoins	**163,380**	**1,011,230**

Bitcoins were fair valued using the closing Bitfinex price as at 30 June 2016 of $673 per bitcoin (2015: $262 per bitcoin). The total number of bitcoins mined during the year ended 30 June 2016 was 6,051 bitcoins (2015: 17,471 bitcoins).

The Bitfinex price for bitcoins as at 30 September is US$604.

17. CURRENT ASSETS – BITCOIN MINING HARDWARE

	30-Jun-16 US$	30-Jun-15 US$
Cost	4,735,142	4,735,142
Accumulated depreciation	(4,735,142)	(4,603,479)
Net Carrying amount	**-**	**131,663**
Reconciliation		
Carrying amount at beginning of period	131,663	2,302,295
Additions	-	2,309,054
Disposals	-	(848,673)
Depreciation charge for the period	(131,663)	(3,631,013)
Carrying amount at end of period, net of accumulated depreciation	**-**	**131,663**

18. NON - CURRENT ASSETS - INTANGIBLE ASSETS

	CONSOLIDATED GROUP	
	30-Jun-16 US$	30-Jun-15 US$
Intellectual property		
Cost	1,305,113	480,629
Accumulated amortisation	(4,267)	(4,267)
Provision for Impairment	(1,106,641)	-
Net Carrying amount	**194,205**	**476,362**
Reconciliation		
Carrying amount at beginning of period	476,362	31,100
Additions	824,484	470,628
Disposals	-	(19,420)
Provision of impairment of Intangible Assets	(1,106,641)	-
Amortisation charge for the period	-	(5,946)
Carrying amount at end of period, net of accumulated amortisation and provision for impairment	**194,205**	**476,362**

The Group has raised a US$1,106,641 impairment provision against the costs capitalised for its AirPocket intangible asset. Airpocket's gross capitalised cost totals US$1,207,220. This provision has been recorded in the current period as a result of a lack of historical data with respect to the estimates used in determining the fair value of AirPocket. The provision is to be reassessed at the next reporting date with anticipation that more information will be available to assess the recoverable amount of the asset.

19. CURRENT LIABILITIES – TRADE & OTHER PAYABLES

	30-Jun-16 US$	30-Jun-15 US$
Trade payables	491,052	321,746
PAYG withholding payable	29,443	41,965
Payroll accrual	-	46,046
Total trade and other payables	**520,495**	**409,757**

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

20. CURRENT LIABILITIES – RESTORATION PROVISION

	30-Jun-16 US$	30-Jun-15 US$
Restoration provision for environmental rehabilitation[1]	103,981	103,981
	103,981	**103,981**

[1] Restoration provision relates to the prior operations of Macro Energy Limited.

21. PROPERTY, PLANT AND EQUIPMENT – COMPUTER EQUIPMENT

	30-Jun-16 US$	30-Jun-15 US$
Cost	42,694	25,167
Accumulated depreciation	(18,444)	(8,732)
Net Carrying amount	**24,250**	**16,435**
Reconciliation		
Carrying amount at beginning of period	16,435	5,152
Additions	17,528	17,868
Depreciation charge for the period	(9,712)	(6,585)
Carrying amount at end of period, net of accumulated depreciation	**24,251**	**16,435**

22. ISSUED CAPITAL

(a) Issued and paid up Capital

	30-Jun-16 US$	30-Jun-15 US$
178,119,581 (2015: 176,405,603) fully paid ordinary shares	21,249,214	21,068,773
	21,249,214	**21,068,773**

(b) Movement in Ordinary Share Capital

Date	Details	Number of Shares	Issue Price A$	US$[4]
1 July 2015	Opening Balance	176,405,603		21,068,773
19 August 2015[1]	Issue of shares to key employees	1,713,978	0.15	182,195
	Share Issue costs			(1,754)
30 June 2016	Closing Balance	178,119,581		21,249,214

[1] The Company issued 1,713,978 shares to key personnel as part of their remuneration packages. The incentive equity program was put in place to incentivise performance of the Group's key personnel outside of the Board of Directors, and form a plank of the Group's personnel retention strategy for their ongoing service to the Group.

Period ended 30 June 2015

1 July 2014	Opening Balance	167,939,643		18,404,582
15 October 2014[1]	Issue of shares to owners of Cryptsy	833,334	0.20	145,348
9 April 2015[2]	Share buy-back and cancellation	(8,276,465)		
28 May 2015[3]	Placement of shares	15,909,091	0.22	2,698,485
	Share Issue costs			(179,642)
30 June 2015	Closing Balance	176,405,603		21,068,773

[1] The Company issued 833,334 shares to the owners of Cryptsy (Terraboss Inc), the 50% joint venture partners in Mintsy, as consideration in accordance with the Joint Venture Agreement for Terraboss to contribute technical skills, management skill, website integration with Cryptsy.com and enable the joint venture to market its offerings to existing Cryptsy.com users as appropriate for the promotion of Mintsy.

[2] The Company had conducted a Selective Share Buy-back and Cancellation, of 8,276,465 shares, as part of a mutual agreement between Digital and PeerNova, releasing one another from the ongoing obligations as part of the Cloudhashing agreement, no consideration was paid as part of the buy-back

[3] On 28 May 2015 the Company had successfully completed an oversubscribed Capital raising of AUD$3.5m via a share placement and issuing 15,909,091 shares to fund the rollout of the global remittance product AirPocket.

[4] Based on AUD/USD as at the date of transaction

Rights Attaching to Shares
The rights attaching to fully paid ordinary shares arise from a combination of the Company's constitution, statute and general law. Fully paid ordinary shares carry one vote per share and carry a right to dividend.

23. RESERVES

	30-Jun-16 US$	30-Jun-15 US$
Option premium and share-based payment reserve	642,360	1,821,980
	642,360	**1,821,980**

(a) Valuation of options issued

The fair value of the share options at grant date are determined using a binomial option pricing method that takes into account the exercise price, the term of the option, the probability of exercise, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Value of share options in DigitalX Limited (formerly Macro Energy Limited) as at acquisition date (6 June 2014)

The following table lists the inputs to the model used for valuation of the unlisted options:

Item	Inputs
Volatility (%) (see below)	99%
Risk-free interest rate (%) – range	2.685%
Expected life of option (years)	3.07
Exercise price per terms & conditions	$0.05
Exercise price (adjusted)*	$0.286
Underlying security spot price	$0.286
Valuation date	6 June 2014
Expiry date	30 June 2017
Valuation per option	$0.180

*Adjusted based on share consolidation of 5.715:1 on acquisition.

Value of unlisted options issued on completion of acquisition

On completion of the Acquisition on 6 June 2014, 8,316,710 unlisted options were issued as consideration for the acquisition of shares in the Company to the Vendors.

The following table lists the inputs to the model used for valuation of the new unlisted options:

Item	Inputs
Volatility (%) (see below)	99%
Risk-free interest rate (%) – range	2.685%
Expected life of option (years)	2.00
Exercise price	$0.28
Underlying security spot price	$0.286
Valuation date	6 June 2014
Expiry date	6 June 2016
Valuation per option	$0.153

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in option pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time.

As the acquisition of Digital CC Holdings Pty Ltd by the Company, resulted in a substantial change in the Company's operations, we do not consider their historical volatility to be representative of their future volatility.

Furthermore, given there are no other companies on the ASX, or any other exchange, whose primary activities are Bitcoin mining and digital currency trading, we do not consider there to be any comparable

companies from which to determine an appropriate volatility. Volatility has therefore been based on an average two year close-close volatility of the top ten performing ASX listed technology firms in the last two years with a market capitalisation of less than $100 million, resulting in future estimated volatility of 99% for DigitalX Limited.

(b) Valuation of performance rights issued

Year ended 30 June 2016

During the financial year ended 30 June 2016 the Director's assessed the probability that the Class B Performance Rights, as issued in the prior period, would vest at 1 July 2016, to be 0%, and therefore the fair value of the Class B Performance rights has been determined to be nil. As the fair value is consistent with the amount recorded in prior period no impact on the financial performance is to be reflected at 30 June 2016.

Year ended 30 June 2015

During the financial year ended 30 June 2015 the Directors reassessed the probability that the Class A and Class B Performance Rights, as issued in the prior period noted below, would vest at 1 July 2015 and 1 July 2016 respectively.

The Directors have reassessed that the vesting probability of the Class A Performance Rights is 0%, and therefore the fair value of the Class A Performance Rights has been determined to be nil. It was also determined that the reassessed probability of the Class B Performance Rights vesting was 0%, and therefore its fair value was also determined to be nil. Consequently a reversal of the expense recorded in the prior period of US$1,653,782 has been recorded at 30 June 2015.

(c) Valuation of options and performance rights on issue as at 30 June 2015

	30-Jun-16 US$	30-Jun-15 US$
Value of share options in DigitalX Limited (formerly Macro Energy Limited) *as at 6 June 2014*		
3,849,518 unlisted options	642,360	642,360
Value of unlisted options issued on completion of acquisition		
8,316,710 unlisted options	-	1,179,620
16,633,420 Class A Performance Rights	-	-
8,316,710 Class B Performance Rights	-	-
	642,360	1,179,620
Total	**642,360**	**1,821,980**

24. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of cash flow from operations with profit / (loss) after income tax	*Note*	Year ended 30-Jun-16 US$	Year ended 30-Jun-15 US$
Loss after income tax		(3,417,305)	(6,769,719)
Non-cash flows in loss			
Revenue from bitcoins earned		(1,904,171)	(6,414,134)
Net fair value (gain)/ loss on bitcoins		(1,307,211)	3,109,492
Mined Coins Sold		2,572,581	3,787,315
Bitcoin mining pool fees		-	-
Loss of coins on exchange		36,742	-
Intangible asset impairment	18	1,106,641	-
Corporate transaction accounting (benefit)/expense	23 (b)	-	(1,653,782)
Depreciation	17, 21	141,375	3,637,598
Employee Share Issue		182,195	-
Joint venture investment write-down		-	1,047,011
Amortisation		-	5,946
Other non-cash (income)/expenses including foreign exchange (gains)/losses		1,499,927	(137,953)
		(1,089,226)	(3,388,226)
Change in assets and liabilities, net the effects of purchase of subsidiaries			
Decrease / (increase) in trade and other receivable		382,305	293,084
Decrease / (increase) in prepayments		(2,850)	134,565
(Decrease) / increase in trade payables and accruals		195,673	(234,972)
(Decrease) / increase in tax payable		-	(27,141)
Net cash used in operating activities		**(514,098)**	**(3,222,690)**

25. RELATED PARTY TRANSACTIONS

(a) Subsidiaries

Interests in subsidiaries are set out in note 26. Balances and transaction between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

(b) Transactions with key management personnel

	Year ended 30-Jun-16 US$	Year ended 30-Jun-15 US$
Short term employee benefits		
-Salaries and fees	863,700	1,174,003
-Director fees	26,270	24,477
-Consulting fees	6,467	36,566
Post-Employment Benefits		
-Superannuation	14,288	29,574
Share-based payment		
-Shares granted	44,567	-
-Share, options and performance rights [1]	-	(1,645,513)
Total Remuneration	**955,292**	**(380,893)**

[1] Refer to Note 23 (c) for details of the events relating to Performance rights and Options effecting key management personnel.

(c) Transactions with director related entities

Year ended 30 June 2016

During the financial year 8,316,710 unlisted options exercisable at AUD$0.28, expiring on 5 June 2016, have lapsed.
The financial effect of the options being forfeited is a credit to the accumulated losses in the current financial year of $1,179,651 based on the fair value of the options being initially accounted for at AUD$0.153 cents.

Year ended 30 June 2015
During the financial year the Directors reassessed the probability that the Class A and Class B Performance Rights would vest at 1 July 2015 and 1 July 2016 respectively.

On completion of the Acquisition by DigitalX Limited of Digital CC Holdings Pty Ltd on 6 June 2014, the following Performance Rights were issued to the Directors outlined above and other Vendors:

- 16,633,420 Class A Performance Rights which will vest on 1 July 2015 if the earnings before interest, tax, depreciation and amortisation in the Company in the period from 1 January 2014 to 30 June 2015 is $9,000,000 or greater. The fair value of the performance rights is $0.286 each and was initially accounted for based on a probability of 35% that the performance hurdle is achieved as at 30 June 2015. The Directors have reassessed the probability the Class A Performance Rights will vest to 0%. Therefore the fair value of the Class A Performance Rights has been determined to be nil; and

- 8,316,710 Class B Performance Rights which will vest on 1 July 2016 if the same earnings before interest, tax depreciation and amortisation in the Company in the period between 1 July 2015 and 30 June 2016 is $30,000,000 or greater. The fair value of the performance rights is $0.286 each and was initially accounted for based on a probability of 5% that the performance hurdle is achieved at 30 June 2015. The Directors have reassessed the probability that the Class B Performance Rights will vest to 0%. Therefore the fair value of the Class B Performance Rights has been determined to be nil.

The financial effect of the reassessment is a credit to the income statement in the current financial year of $1,653,782 as the performance rights are not expected to vest.

Year ended 30 June 2016

- DigitalX Limited paid Mpire Media Pty Ltd (a company controlled by Zhenya Tsvetnenko) A$36,584 for the reimbursement of office rent, computer, telephone and offices supplies incurred by the consolidated group. The consolidated group shares an office with Mpire Media Pty Ltd in Perth, Western Australia.
- Digital CC Holdings Pty Limited paid Karis Holdings Inc (a company controlled by Alex Karis) US$89,106 for the reimbursement of office rent, computer and offices supplies, legal expenses incurred by the consolidated group, domain names, telephone and administration staff reimbursements for the personnel in the Boston office. The consolidated group shares an office with Karis Marketing Group in Boston, Massachusetts and these costs incurred by the consolidated group were charged through Karis Holdings Inc.
- Digital CC Limited paid Sibella Capital Pty Ltd (a company controlled by Brett Mitchell) A$45,000 as part of non–executive director fees and provision of corporate advisory consultancy services.
- Digital CC USA LLC extended a $250,000 credit facility at 1.25% interest rate to Karis Holdings Inc, of which $156,061 had been drawn down during the year.

Year ended 30 June 2015

- Digital CC Holdings Pty Limited paid Mpire Media Pty Ltd (a company controlled by Zhenya Tsvetnenko) A$52,328 for web assistance services.
- DigitalX Limited paid Mpire Media Pty Ltd (a company controlled by Zhenya Tsvetnenko) A$73,761 for the reimbursement of office rent, computer, telephone and offices supplies incurred by the consolidated group. The consolidated group shares an office with Mpire Media Pty Ltd in Perth, Western Australia.

- Digital CC IP Pty Ltd purchased the coin.org domain name from Zhenya Holdings Trust (a company controlled by Zhenya Tsvetnenko) for US$75,000. The purchase amount was the cost to acquire the domain name by Zhenya Holdings Trust from a third party unrelated vendor.
- Digital CC Holdings Pty Limited paid Karis Holdings Inc (a company controlled by Alex Karis) US$150,970 for the reimbursement of office rent, computer and offices supplies, legal expenses incurred by the consolidated group, domain names, telephone and administration staff reimbursements for the personnel in the Boston office. The consolidated group shares an office with Karis Marketing Group in Boston, Massachusetts and these costs incurred by the consolidated group were charged through Karis Holdings Inc.
- Digital CC Limited paid Sibella Capital Pty Ltd (a company controlled by Brett Mitchell) A$80,300 as part of non–executive director fees and provision of corporate advisory consultancy services.
- Digital CC Trading Pty Ltd leased 460TH of mining hardware to Peernova Inc (a company controlled by Emmanuel Abiodun) for US$460,000. During the year the lease was terminated as part of a mutual agreement, with Peernova Inc retaining the mining equipment and DigitalX Trading Pty Ltd retaining the consideration received.

There were no other related party transactions during the year.

(d) Outstanding balances with related parties

Karis Marketing Group (a company controlled by Alex Karis) had a credit facility owing to Digital CC USA LLC of $157,932 as at 30 June 2016.

(e) Other related party information

- Mr Tsvetnenko is the Sole Director and Company Secretary and holder of half of the shares in Lydian Enterprises Pty Ltd ATF Lydian Trust.
- Mr Tsvetnenko is also the Sole Director of Magna Fortis Pty Ltd ACN 149 529 902, which has a right to receive approximately 17% of the shares in a related party, Technology IQ Limited.
- Mr Karis is the Sole Shareholder of Digital Man LLC.
- Mr Brindise is the Sole Shareholder of NRB International LLC.

26. 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 2.1.

All controlled entities are included in the consolidated annual final report. 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.

Name of Controlled Entity	Place of Incorporation	% of Shares Held 2016	% of Shares Held 2015
Digital CC Management Pty Ltd	Australia	100%	100%
Digital CC Trading Pty Ltd	Australia	100%	100%
Digital CC IP Pty Ltd	Australia	100%	100%
Digital CC Limited	Hong Kong	100%	100%
Digital CC IP Limited	Hong Kong	100%	100%
Digital CC Holdings USA Inc	United States	100%	100%
Digital CC USA LLC	United States	100%	100%
Digital CC USA Services LLC	United States	100%	100%
Digital CC Ventures Pty Ltd	Australia	100%	100%
Pass Petroleum Pty Ltd	Australia	100%	100%
Airpocket International Pty Ltd	Australia	100%	-
AirPocket LLC	United States	100%	-
Pass Petroleum LLC	United States	-	100%
Verus Energy LLC	United States	-	100%

Year ended 30 June 2016

On 8 January 2016, the Group incorporated Airpocket International Pty Ltd, Digital CC Holding Pty Ltd owns a 100% interest in Airpocket International Pty Ltd

On 16 December 2015, the Group incorporated Airpocket LLC, Digital CC Holdings USA LLC owns a 100% interest in Airpocket LLC

On the 21 December 2015, the Group had dissolved Pass Petroleum LLC, in which Pass Petroleum Pty Ltd held a 100% and Verus Energy LLC in which DigitalX Limited held a 100% interest.

Year ended 30 June 2015

On 4 August 2014, the Group incorporate Digital CC Ventures Pty Ltd to hold its 50% interest in HashMax Inc, the joint venture which operates Mintsy. Digital CC Holdings Pty Ltd owns a 100% interest in Digital CC Ventures Pty Ltd.

27. COMMITMENTS AND CONTINGENCIES

Power and Hosting

During the financial year the Group terminated the power and hosting contracts relating to its bitcoin mining equipment which has released the Group as at 30 June 2016 from any future financial obligation as was stipulated under the contract:

	30 June 2016	30 June 2015
	US$	US$
Not later than one year	-	2,211,572
Later that 1 year and not longer than 5 years	-	1,980,439
Longer than 5 years	-	-
	-	**4,192,011**

28. PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 2 for a summary of the significant accounting policies relating to the Group.

(a) Summary of financial information

	30 June 2016	30 June 2015
	US$	US$
Financial position		
Assets		
Current assets	82,306	180,010
Non-Current assets	2,419,434	7,038,860
Total Assets	2,501,740	7,218,870
Liabilities		
Current liabilities	(325,725)	271,482
Non-current liabilities	(668,521)	350,498
Total liabilities	(994,246)	621,980
Equity		
Issued capital	59,682,952	59,502,512
Accumulated losses	(60,097,434)	(56,007,219)
Reserves	1,921,977	3,101,597
Total equity	1,507,495	6,596,890
Financial performance		
Profit/ (loss) for the year	(1,960,992)	(38,959,617)
Other comprehensive income/(loss)	-	-
Total comprehensive loss	(1,960,992)	(38,959,617)

(b) Commitments and Contingent Liabilities of the parent

The parent entity did not have any contingent liabilities or commitments, as at 30 June 2016.

(c) Guarantees entered into the parent entity

There were no guarantees entered into by the parent entity.

29. POST-REPORTING DATE EVENTS

Date of event	Details of event
25/07/2016	On 25 July 2016, the acting Executive Chairman, Zhenya Tsvetnenko had tendered his resignation from the board of DigitalX, relinquishing his executive role in the Company. Non- Executive Director Brett Mitchell had also stepped down from the Board. Leigh Travers had joined the Board as an Executive Director, Mr Travers is the Vice President of Business Development and Investor Relations for DigitalX.
28/07/2016	On 28 July 2016, Toby Hicks had joined the Board of DigitalX as a Non-Executive Director. Mr Hicks is a partner at a Western Australian corporate law firm, Steinpreis Paganin and brings extensive legal and corporate expertise to the DigitalX Board. He has more than 14 years' experience advising public companies on matters of corporate governance, capital raisings and commercial transactions
02/08/2016	On 2 August 2016, it was revealed that the Bitcoin exchange Bitfinex, on which DigitalX had an account, had been hacked. It was later announced that around US$60m in Bitcoin was stolen during the hack, and as a result all the accounts would receive a 36% penalty as a way to spread the loss across all accounts. DigitalX had incurred a loss of around US$70k as a result of the hack and the subsequent penalty by Bitfinex.
25/08/2016	On 25 August 2016, the Company announced that it intends to buy-back a portion of the shares held by entities associated with previous Director, Zhenya Tsvetnenko, for AUD$0.03 per share with that buy-back to be conditional upon: a) Shareholders approving the buy-back; and b) Mr Tsvetnenko's entities disposing of the remainder of their shares in the company.
07/09/2016	On 7 September 2016, the Company has announced the completion of a capital raising through the issue of 10,580,303 ordinary fully paid shares at AUD$0.05 per share to raise AUD$529,015 before costs.

There were no other reportable post-reporting date events.

EXCHANGE LISTING

DigitalX Limited shares are listed on the Australian Securities Exchange. The Company's ASX code is DCC.

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 30 September 2016

Name of Shareholders	Total Number of Voting Share in DigitalX Limited in which the Substantial Shareholders and its Associates Hold Relevant Interests	Percentage of Total Number of Voting Shares (%)
Tsvetnenko Alexander David Karis and Digital Man LLC	20,514,200	10.87
Lydian Enterprises Pty Ltd ATF the Lydian Trust, Eugeni 'Zhenya' Tsvetnenko and Lydia	17,633,839	9.34
Hoperidge Enterprises Pty Ltd	14,969,792	7.93
William Reynold Brindise and NRB International LLC Investments LLC	12,549,897	6.65

CLASS OF SHARES AND VOTING RIGHTS

At 30 September 2016 there were 2827 holders of 188,699,884 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

a. each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
b. on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and
c. on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

The number of shareholders holding less than a marketable parcel is 1,110.

UNLISTED OPTIONS AND PERFORMANCE RIGHTS

Securities	Number of Securities on issue	Number of Holders	Name of Holders holding more than 20%	Number Held
Options exercisable at $0.286 on or before 30 June 2017	3,849,517	8	Mr Brett Lawrence <The Arcadia Investment A/C>	1,574,803

CASH USAGE

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

LISTING OF 20 LARGEST SHAREHOLDERS AS AT 30 SEPTEMBER 2016

	Shareholder	Shares Held	Percentage Held
1	Digital Man LLC	20,514,200	10.87
2	Lydian Enterprises Pty Ltd <Lydian A/C>	17,633,839	9.34
3	Hoperidge Enterprises Pty Ltd	14,969,792	7.93
4	NRB International LLC	12,549,897	6.65
5	The Trust Company	8,880,303	4.71
6	Mr Shane Robert Jones + Mrs Carol Robin Jones <Rosh Family A/C>	8,238,730	4.37
7	Alba Capital Pty Ltd	8,220,108	4.36
8	Peterlyn Pty Ltd <RPC Salmon Super Fund A/C>	7,177,876	3.80
9	The Gas Superfund Pty Ltd	4,240,000	2.25
10	Mr Scott Paul Jones + Mr Rodney Malcolm Jones + Mrs Carol Robin Jones <Scopa Family A/C>	2,533,189	1.34
11	Mr Raymond McLaren	1,865,790	0.99
12	River Valley Pty Ltd	1,500,000	0.79
13	Icon Holdings Pty Ltd	1,200,000	0.64
14	Mr Maxwell Craig Hartree	1,153,800	0.61
15	Auto Management Pty Ltd	1,000,000	0.53
16	Ms Marina Katy Carver	1,000,000	0.53
17	Fisimia Pty Ltd	1,000,000	0.53
18	Foxtail Pty Ltd	1,000,000	0.53
19	Loktor Holdings Pty Ltd	1,000,000	0.53
20	Melbourne Capital Limited	1,000,000	0.53
	TOTAL	**116,677,524**	**61.83**

DISTRIBUTION OF SHAREHOLDERS

Spread of Holdings	Number of Ordinary Shareholders
1 – 1,000	1,139
1,001 – 5,000	609
5,001 – 10,000	273
10,001 – 100,000	611
100,001 and over	195
Total	**2,827**