



**DIGITALX LIMITED**

A.B.N. 59 009 575 035

**ASX APPENDIX 4D & FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	<u>Page</u>
CORPORATE DIRECTORY	1
RESULTS FOR ANNOUNCEMENT TO THE MARKET	2
DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	6
INDEPENDENT AUDITOR'S REPORT	7
DIRECTORS' DECLARATION	9
CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	10
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	11
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	13
NOTES TO THE CONDENSED FINANCIAL STATEMENTS	14
OTHER APPENDIX 4D INFORMATION	23

**Directors**

Leigh Travers  
*Managing Director and  
Chief Executive Officer*

Toby Hicks  
*Acting Chairman  
Non-Executive*

Faisal Khan  
*Non-Executive Director*

**Company Secretary**

Shannon Coates

**ABN**

59 009 575 035

**Registered Office and Principal Place of  
Business**

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**Auditor**

Grant Thornton Audit Pty Ltd  
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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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**Website** [www.digitalx.com](http://www.digitalx.com)

**Current reporting period: half-year ended 31 December 2016 (Reported in USD\$)**

<b>Results</b>				USD\$
Revenues	up	100%	to	1,137
Loss from ordinary activities after tax attributable to members	down	6.38%	to	1,284,713
Net Loss for the period attributable to members	up	79.95%	to	1,590,182
<b>Dividends (distributions)</b>	Amount per security		Franked amount per security	
<i>Current period</i>				
Interim dividend declared	-			-
Final dividend paid	-			-
<i>Previous corresponding period</i>				
Interim dividend declared	-			-
Special dividend paid	-			-
Final dividend paid	-			-
Record date for determining entitlements to the dividend,	N/A			
A brief explanation of revenue, net profit and dividends has been detailed in the enclosed Directors' report, Statement of comprehensive income, Statement of financial position, Statement of cash flows and Notes to financial statements.				

## Directors' Report

The directors of DigitalX Limited submit herewith the financial report of DigitalX Limited ("Company") and its subsidiaries ("the Group") for the half year ended 31 December 2016. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

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

## Directors

The names of directors of the Company during or since the end of the half year are:

- Mr Leigh Travers, *Managing Director and Chief Executive Officer (appointed 24 July 2016)*
- Mr Toby Hicks, *Non-Executive Director (appointed 28 July 2016)*
- Mr Faisal Khan, *Non-Executive Director (appointed 6 October 2016)*
- Mr Alex Karis, *Managing Director and Chief Executive Officer (resigned 23 December 2016)*
- Mr William Brindise, *Executive Director and Chief Trading Officer (resigned 1 December 2016)*
- Mr Eugeni 'Zhenya' Tsvetnenko, *Executive Chairman (resigned 24 July 2016)*
- Mr Brett Mitchell, *Non-Executive Director (resigned 24 July 2016)*

## 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, business strategies and prospects for future financial years. This information complements and supports the Half year Financial Report presented herein.

### *Disclosure of Operations*

During the period, DigitalX Limited was principally involved in the following activities:

- a) Development of software applications for global payments and financial technology products operating as AirPocket.
- b) Bitcoin trading, the operation of a bitcoin sales desk and an application programming interface ("API") which operates a dynamic platform as DigitalX Direct (together the Liquidity Desk Operations)

Our operations are conducted from our offices in the Boston, USA and Perth, Australia.

### *Financial Review*

	US\$
Revenue from ordinary activities	1,137
Loss before interest, tax depreciation and amortisation (EBITDA)	1,590,183
Loss from ordinary activities after tax attributable to members	1,284,713
Net loss for the period attributable to members	1,590,182

The consolidated loss after tax for the period ended 31 December 2016 was US\$1,590,182 (2015: US\$883,695). The loss is impacted mainly by the focus of Company resources on development and rollout of consumer remittance product AirPocket, which saw the Group cease its mining operations and wind down its Bitcoin trading operations.

### *Commentary*

The Company ended the half year by finalising mining operations and winding down Bitcoin trading to shift the focus of operations to its first Blockchain based mobile application, AirPocket. The strategy enabled significant cash outflow reduction that would see a leaner operation while AirPocket is being rolled out. The understanding of Blockchain technology gained through the development of these high revenue generating projects has manifested in the development of AirPocket. The partnership with Servicio UniTeller Inc. ("Uniteller") will see the commercial rollout of AirPocket in the USA and Latin America. DigitalX was recognised for its success during the first half of the year with the award by Deloitte in the Technology Fast 50, as one of the fastest growing technology companies in Australia.

Products under development include:

## Blockchain-based Software Products

AirPocket (<http://www.airpocket.com/>) is a unique funds and value transfer product. It is designed to provide consumers with the ability to securely and cost-effectively send money in any currency, from anywhere, anytime. The product is a mobile application that will revolutionise the money transfer industry through the use of Blockchain, which is one of the safest and most efficient technologies in the world for electronic payments. AirPocket will provide three services; mobile top-ups, mobile bill-pay and money transfer.

In addition, the Company has lodged global patent for a new security product that provides users of AirPocket to build a secure credit-score through transaction metadata stored on the Blockchain. The Company calls this product 'AirID'.

## Operations Update

### AirPocket

DigitalX continued development on the AirPocket product. The Company signed several agreements during the first half of the year as it gained industry recognition as a secure and effective funds transfer solution.

The agreements with the Telecommunication carrier UniTeller and TransferTo provides global coverage of mobile top-ups and low cost marketing and installs for AirPocket. The UniTeller agreement provides expansive financial infrastructure and last-mile coverage for the remittance rollout. Recipients of AirPocket transfers can utilise up to 40,000 various money transfer locations to pick up their cash and for those with bank accounts, receive instant payments to their account at all of Latin America's major banks. This network affords DigitalX a substantial consumer base in which to market AirPocket.

### DigitalX Direct and Liquidity Desk

The trading desk generated revenues of \$8m over the half and a net loss of \$0.3m. With the focus of the Company towards the development of Blockchain based products, DigitalX wound down its trading operations towards the end of the half as it sought a buyer for this platform. *Note that due to Bitcoin trading segment being considered as part of Discontinued Operations, it does not contribute to the Revenue line on the Statement of Profit or Loss and Other Comprehensive Income but rather appears in Note 9.*

The net assets of the Group as at 31 December 2016 were \$1,247,944 (2015: \$1,667,795) which includes \$ 972,498 (2015: \$1,042,288) of cash and cash equivalents.

## 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.

## Future Developments

With a new Australian based management team, DigitalX successfully raised over \$1.8m via a share placement and share purchase plan. The funding supported a major re-brand of the AirPocket application and the engagement of PintaUSA, a leading full-service marketing and distribution Company. Pinta has a depth of experience in producing highly successful US-Latino marketing campaigns for the world's top brands including Amazon, NFL, Facebook and T-Mobile. Pinta has managed successful campaigns for Transferwise and has a proven track record in driving exponential growth in start-ups. Initial distribution channels will see AirPocket strategically marketed in bodegas through posters and in target communities through radio advertising. In addition, DigitalX is creating a digital marketing channel that the Company believes may lead to revenue opportunities through cross marketing services in financial services.

In addition to cross-border remittance services, AirPocket and the Blockchain-enhanced transactions API can be utilised in a variety of payments markets. The Company expects to secure licenses for USA based domestic payments in the first half of the 2017.

The AirID service has continued in development and the Company expects to have a consumer facing portal during the June quarter. AirID is an exciting development that will enable DigitalX to deliver on its mission of providing low-cost financial services to its customers and to help immigrants 'build credit'.

Subsequent to the end of the half year and as announced to the ASX on 7 February 2017 an attractive opportunity to monetize the DigitalX Direct platform emerged in working with Blockchain Global Limited. The agreement will see DigitalX receive half of all revenues generated from customers introduced to Blockchain Global and their exchange service ACX.io. The process of customer introductions has begun and some former clients have already begun using the platform.

### **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 6.

### **Auditor**

The Directors' Report is signed in accordance with a resolution of the directors made pursuant to s. 306(3) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in blue ink, appearing to read 'LTD', with a large, sweeping flourish extending to the right.

**Leigh Travers**  
**Managing Director and Chief Executive Officer**  
Perth, 27 February 2017

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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 review of DigitalX Limited for the half-year ended 31 December 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M J Hillgrove  
Partner - Audit & Assurance

Perth, 27 February 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DIGITALX LIMITED**

We have reviewed the accompanying half-year financial report of DigitalX Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' Responsibility for the Half-year Financial Report**

The Directors of DigitalX Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of DigitalX Limited consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DigitalX Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of DigitalX Limited is not in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### **Material uncertainty relating to going concern**

Without qualifying our conclusion, we draw attention to Note 1(c) in the financial report which indicates that the company incurred a net loss of \$1,590,182 and generated net cash outflows from operating activities of \$1,063,422 during the half year ended 31 December 2016. This condition, along with other matters as set forth in Note 1(c), 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 AUDIT PTY LTD  
Chartered Accountants



M J Hillgrove  
Partner - Audit & Assurance

Perth, 27 February 2017

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

- (a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (b) the financial statements and notes thereto are in accordance with *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, consisting of the initials 'LTD' followed by a large, stylized flourish that loops back under the initials.

**Leigh Travers**  
**Managing Director and Chief Executive Officer**  
Perth, 27 February 2017

**DigitalX Limited**  
**Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income**  
For the half-year ended 31 December 2016

	<i>Note</i>	31-Dec-16 US\$	31-Dec-15 US\$
Other income		1,137	-
Professional and consultancy fees		(324,004)	(207,787)
Corporate expenses		(134,186)	(70,573)
Advertising and media relations		(167,315)	(40,256)
Employee benefit expenses		(518,248)	(769,158)
Realised and unrealised foreign exchange gain/(loss)		(31,628)	1,848
Other expenses		(110,469)	(286,394)
<b>Loss before tax</b>		<b>(1,284,713)</b>	<b>(1,372,320)</b>
Income tax expense		-	-
<b>Loss after income tax from continuing operations</b>		<b>(1,284,713)</b>	<b>(1,372,320)</b>
<b>Profit/(Loss) from discontinued operations</b>	9	<b>(305,469)</b>	<b>488,622</b>
<b>LOSS FOR THE PERIOD</b>		<b>(1,590,182)</b>	<b>(883,695)</b>
<b>Total comprehensive loss for the period</b>			
<b>Total comprehensive loss attributable to:</b>			
Members of the parent entity		<b>(1,590,182)</b>	<b>(883,695)</b>
<b>Loss per share attributable to the ordinary equity holders of the parent:</b>			
<b>Basic and diluted loss per share (cents)</b>			
Loss from continuing operations		(0.007)	(0.008)
Earnings /(loss) from discontinued operations		(0.002)	0.003
<b>Total</b>		<b>(0.009)</b>	<b>(0.005)</b>

*The accompanying notes form part of these financial statements.*

**DigitalX Limited**  
**Condensed Consolidated Statement of Financial Position**  
As at 31 December 2016

	<i>Note</i>	31-Dec-16 US\$	30-Jun-16 US\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	972,498	1,042,288
Trade and other receivables	6	115,518	1,037,519
Prepayments		98,942	88,732
Bitcoins	5	2,766	163,380
<b>Total Current Assets</b>		<b>1,189,724</b>	<b>2,331,919</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		26,587	24,250
Intangible assets		735,633	194,205
<b>Total Non-Current Assets</b>		<b>762,220</b>	<b>218,455</b>
<b>TOTAL ASSETS</b>		<b>1,951,944</b>	<b>2,550,375</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	422,829	520,495
Accrued expenses	8	281,171	258,104
Restoration provisions		-	103,981
<b>Total Current Liabilities</b>		<b>704,000</b>	<b>882,580</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>Total Non-Current Liabilities</b>		-	-
<b>TOTAL LIABILITIES</b>		<b>704,000</b>	<b>882,580</b>
<b>NET ASSETS</b>		<b>1,247,944</b>	<b>1,667,795</b>
<b>EQUITY</b>			
Issued capital	10	22,419,545	21,249,214
Reserves		642,360	642,360
Accumulated losses		(21,813,961)	(20,223,779)
<b>TOTAL EQUITY</b>		<b>1,247,944</b>	<b>1,667,795</b>

*The accompanying notes form part of these financial statements.*

**DigitalX Limited**  
**Condensed Consolidated Statement of Changes in Equity**  
For the Financial Period Ended 31 December 2016

Consolidated Group	Issued Capital US\$	Option Premium and Share Based Payment Reserve US\$	Accumulated Losses US\$	Total US\$
<b>Balance at 1 July 2016</b>	<b>21,249,214</b>	<b>642,360</b>	<b>(20,223,779)</b>	<b>1,667,795</b>
Loss for the period	-	-	(1,590,182)	(1,590,182)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(1,590,182)	(1,590,182)
Shares issued during the period	1,658,415	-	-	1,658,415
Share issue costs	(94,692)	-	-	(94,692)
Share Buy-back and cancellation	(390,807)	-	-	(390,807)
Buy-back costs	(2,585)	-	-	(2,585)
<b>Balance at 31 December 2016</b>	<b>22,419,545</b>	<b>642,360</b>	<b>(21,813,961)</b>	<b>1,247,944</b>

Consolidated Group	Issued Capital US\$	Option Premium and Share Based Payment Reserve US\$	Accumulated Losses US\$	Total US\$
<b>Balance at 1 July 2015</b>	<b>21,068,773</b>	<b>1,821,980</b>	<b>(17,986,094)</b>	<b>4,904,659</b>
Loss for the period	-	-	(883,695)	(883,695)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(883,695)	(883,695)
Shares issued during the period	182,195	-	-	182,195
Share issue costs	(1,754)	-	-	(1,754)
<b>Balance at 31 December 2015</b>	<b>21,249,214</b>	<b>1,821,980</b>	<b>(18,869,789)</b>	<b>4,201,405</b>

*The accompanying notes form part of these financial statements.*

**DigitalX Limited**  
**Condensed Consolidated Statement of Cash Flows**  
For the Half-Year Ended 31 December 2016

	<i>Note</i>	31-Dec-16 US\$	31-Dec-15 US\$
<b><i>Cash flows from operating activities</i></b>			
Proceeds from sale of bitcoins		8,959,732	20,449,387
Payments for power and hosting		(120,000)	(1,296,483)
Purchase of bitcoins		(8,391,084)	(16,653,599)
Payments to suppliers and employees		(1,512,070)	(1,498,668)
<b>Net cash provided by operating activities</b>		<b>(1,063,422)</b>	<b>1,000,637</b>
<b><i>Cash flows from investing activities</i></b>			
Payment for intellectual property		(526,585)	(434,590)
Loan to related party		152,000	(156,061)
Acquisition of Property, Plant and Equipment		(2,337)	(5,378)
<b>Net cash used in investing activities</b>		<b>(376,922)</b>	<b>(596,029)</b>
<b><i>Cash flows from financing activities</i></b>			
Proceeds from issue of shares		1,658,414	-
Payment for Share buy-back		(217,143)	-
Payments for share issue costs		(22,942)	(20,987)
<b>Net cash used in financing activities</b>		<b>1,418,329</b>	<b>(20,987)</b>
<b>Net increase/decrease in cash and cash equivalents held</b>			
		<b>(22,015)</b>	<b>383,621</b>
Cash and cash equivalents at beginning of period		1,042,289	2,608,103
Effects of exchange rate changes on the balance of cash held in foreign currencies		(47,776)	(6,151)
<b>Cash and cash equivalents at end of period</b>	<b>4</b>	<b>972,498</b>	<b>2,985,573</b>

*The accompanying notes form part of these financial statements.*

## **1. SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Statement of compliance**

The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent financial report.

### **(b) Basis of preparation**

The condensed consolidated financial statements have been prepared on the basis of historical cost except for the revaluation of certain current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. The half year financial report is presented in US dollars unless stated otherwise.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those disclosed in the Company's 2016 annual financial report for the financial year ended 30 June 2016.

### **(c) Going Concern**

The consolidated entity has incurred a net loss after tax for the half year ended 31 December 2016 of \$1,590,182 (2015: \$883,695) and generated net cash outflows from operating activities of \$1,063,422 (2015: net cash inflows \$1,000,637). As at 31 December 2016, the consolidated entity had cash assets of \$972,498 (2015: \$1,042,288) and a working capital surplus of \$485,724 (2015: \$1,449,339).

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 the businesses, the consolidated entity is subject to a number of risks and uncertainties that may adversely impact future 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 raising additional capital post year end as described in Note 14 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.

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.

### **(d) New Accounting Standards and Interpretations**

In the half year ended 31 December 2016, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2016. It has been determined by the Company that none of the new accounting standards adopted during the reporting period, have any impact, material or otherwise, and therefore no change is necessary to Company accounting policies

## 2. 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 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 condensed consolidated financial statements.

#### **(a) 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 condensed consolidated financial statements the Group has, therefore, presented a classified condensed statement of financial position 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.

#### **(b) 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 and carried on the Statement of Financial Position as at 31 December 2016 is US\$735,633 (30 June 2016: \$194,205). The increase is, in large part, the result of expenditures incurred in previous periods that could not be assessed as meeting the capitalisation criteria listed below due to inherent uncertainties around demonstrating how the intangible asset would generate probable future economic benefits. As a result, a majority of the costs incurred in previous periods were recorded in the Statement of Profit or Loss and Other Comprehensive Income. The paragraphs below demonstrate how more certainty has been obtained around Airpocket costs meeting the capitalisation criteria and hence costs incurred in the current year were capitalised and held on the Statement of Financial Position.

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 concluded in respect to AirPocket that all conditions required to recognise an intangible asset generated from development of an internal project have been demonstrated in the period. In particular, the Group has entered into an agreement with Servicio UniTeller Inc., (UniTeller) a leading international remittance company that processes over 15% of the US remittances to the Latin American Corridor. The agreement allows AirPocket access to Uniteller's over 40,000 cash out locations worldwide including 17,000 established cash out locations in Mexico including Walmart, large retailers and all of Mexico's major banks and provides AirPocket with Money Transmitter Licenses across 44 US States.

The Group demonstrates adequate financial resources through anticipated capital raising activity and government funding in lieu of Research and Development costs incurred on Airpocket.

### 3. SEGMENT INFORMATION

#### Segment reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

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 31 December 2016 the Group operated one reportable segments being software development.

	Software development		Unallocated		Total	
	6-months ended 31-Dec-16	6-months ended 31-Dec-15	6-months ended 31-Dec-16	6-months ended 31-Dec-15	6-months ended 31-Dec-16	6-months ended 31-Dec-15
Segment reporting	US\$	US\$	US\$	US\$	US\$	US\$
<b>Results</b>						
Segment result						
Loss before income tax	(259,418)	-	(1,025,295)	(1,372,317)	(1,284,713)	(1,372,317)
Income tax expense	-	-	-	-	-	-
Profit/(loss) after income tax from continuing operations	(259,418)	-	(1,025,295)	(1,372,317)	(1,284,713)	(1,372,317)
Profit (Loss) from discontinued operations					(305,468)	488,622
<b>Loss attributable to members of the parent entity</b>					<b>(1,590,182)</b>	<b>883,695</b>
<b>Other</b>						
Depreciation of segment assets	-	-	-	-	-	131,663
Amortisation of segment assets	-	-	-	-	-	-
<b>Reconciliation of underlying EBITDA</b>						
Profit/(loss) after income tax					(1,590,182)	(883,695)
Interest					(1)	(4)
Taxation					-	-
Depreciation					-	131,663
Amortisation					-	-
EBITDA					<b>(1,590,183)</b>	<b>(752,036)</b>

Revenue earned from external customers by geography and major customer information is not able to be disclosed as the information is not available to the Group.

Segment reporting	Software development		Unallocated		Total	
	31-Dec-16	30-Jun-16	31-Dec-16	30-Jun-16	31-Dec-16	30-Jun-16
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Assets</b>						
Segment assets	735,633	263,959	1,103,969	1,433,871	1,839,592	1,697,830
Total assets	735,633	263,959	1,103,969	1,433,871	1,839,592	1,697,830
Liabilities			<b>Assets pertaining to discontinued operations</b>		112,352	852,545
			<b>Total Assets</b>		1,951,945	2,550,375
Segment liabilities	15,043	200	603,692	543,428	618,735	543,428
Total liabilities	15,043	200	603,692	543,428	618,735	543,428
			<b>Liabilities pertaining to discontinued operations</b>		85,265	338,952
			<b>Total Liabilities</b>		704,000	882,580

#### 4. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	31-Dec-16 US\$	30-June-16 US\$
Cash at bank	972,498	262,005
Cash deposits at call	-	780,283
<b>Total cash and cash equivalents</b>	<b>972,498</b>	<b>1,042,288</b>

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

#### 5. CURRENT ASSETS – BITCOINS

	31-Dec-16 US\$	30-Jun-16 US\$
Bitcoins	2,766	163,380
<b>Total Bitcoins</b>	<b>2,766</b>	<b>163,380</b>

#### 6. CURRENT ASSETS – TRADE & OTHER RECEIVABLES

	31-Dec-16 US\$	30-Jun-16 US\$
Trade receivables	67,851	852,546
GST receivable	28,217	13,480
Related party receivable	5,932	157,932
Other	13,518	13,561
<b>Total trade and other receivables</b>	<b>115,518</b>	<b>1,037,519</b>

Refer to Note 13 for details of the Related Party Receivable

#### 7. CURRENT LIABILITIES – TRADE & OTHER PAYABLES

	31-Dec-16 US\$	30-Jun-16 US\$
Trade payables	422,829	491,052
PAYG withholding payable	-	29,443
<b>Total trade and other payables</b>	<b>422,829</b>	<b>520,495</b>

#### 8. CURRENT LIABILITIES – ACCRUED EXPENSES

	31-Dec-16 US\$	30-Jun-16 US\$
Share buy-back accrual	173,664	-
Payroll and leave accrual	76,031	117,736
Audit fee accrual	31,476	60,893
Legal fee accrual	-	79,475
<b>Total accrued expenses</b>	<b>281,171</b>	<b>258,104</b>

## 9. DISCONTINUED OPERATIONS

### 9.1 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 marked the full wind up of the bitcoin mining operations as the group is now shifting its focus to the AirPocket remittance platform.

### 9.2 Wind up of Bitcoin trading operations

In December 2016, the Group started to wind down its Bitcoin trading operations to concentrate resources on its flagship product AirPocket. Concurrently, active discussions were being held with interested parties to leverage the knowledge, trading platform and customer base of DigitalX Direct.

On 7<sup>th</sup> February 2017, the Group announced that it has entered into a binding agreement with Blockchain Group Limited (BGL), owner of ACX.io, the largest Bitcoin exchange in Australia by volume and order book. The agreement will see the Company wind down its DigitalX Direct operations by introducing DigitalX Direct customers to BGL in consideration for which it will receive 50% of all profit for customers introduced to the BGL digital currency exchange and on their rollout of other exchanges over a five year term.

### 9.3 Analysis of profit or loss for the year from discontinued operations

The combined results of the discontinued operations (i.e. Bitcoin mining and Bitcoin trading) 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.

	Trading		Mining		Total	
	6-months ended 31-Dec-16	6-months ended 31-Dec-15	6-months ended 31-Dec-16	6-months ended 31-Dec-15	6-months ended 31-Dec-16	6-months ended 31-Dec-15
	US\$	US\$	US\$	US\$	US\$	US\$
Revenue from bitcoins mined	-	-	-	1,368,761	-	1,368,761
Trading desk bitcoin sales	8,012,035	16,944,613	-	-	8,012,035	16,944,613
Trading desk bitcoin purchases	(7,913,143)	(16,645,792)	-	-	(7,913,143)	(16,645,792)
Net fair value gain/(loss) on bitcoin inventory held	(202,719)	-	-	1,046,629	(202,719)	1,046,629
Other Income	-	28,853	-	14,752	-	43,605
Power and hosting expenses	-	-	-	(1,487,633)	-	(1,487,633)
Hardware Repair expense	-	-	(580)	(10,191)	(580)	(10,191)
Depreciation	-	-	-	(131,663)	-	(131,663)
Employee benefit expenses	(67,431)	(171,276)	-	(45,000)	(67,431)	(216,276)
Loss of cash on exchange	(47,331)	(94,241)	-	-	(47,331)	(94,241)

	Trading		Mining		Total	
	6-months ended 31-Dec-16	6-months ended 31-Dec-15	6-months ended 31-Dec-16	6-months ended 31-Dec-15	6-months ended 31-Dec-16	6-months ended 31-Dec-15
	US\$	US\$	US\$	US\$	US\$	US\$
Bad debtors expense	(86,299)	(329,191)	-	-	(86,299)	(329,191)
Profit/(Loss) before income tax	<b>(304,889)</b>	<b>(267,033)</b>	<b>(580)</b>	<b>755,655</b>	<b>(305,468)</b>	<b>488,622</b>
Attributable income tax benefit	-	-	-	-	-	-
Profit/(Loss) for the year from discontinued operations (attributable to owners of the Company)	<b>(304,889)</b>	<b>(267,033)</b>	<b>(580)</b>	<b>755,655</b>	<b>(305,468)</b>	<b>488,622</b>
<b>Cash flows from discontinued operations</b>						
Net Cash Inflows/(Outflows) from Operating activities	501,217	1,660,707	(120,000)	612,131	381,217	2,272,838
Net Cash Inflows from Investing activities	-	-	-	-	-	-
Net Cash Inflows from Financing activities	-	-	-	-	-	-
Net Cash Inflows/(Outflows)	501,217	1,660,707	(120,000)	612,131	381,217	2,272,838

	Trading		Mining		Total	
	6-months ended 31-Dec-16	6-months ended 30-Jun-16	6-months ended 30-Dec-16	6-months ended 30-Jun-16	6-months ended 31-Dec-16	6-months ended 30-Jun-16
	US\$	US\$	US\$	US\$	US\$	US\$
Current assets:						
Trade and other receivables	109,587	852,545	-	-	109,589	852,545
Inventories	2,766	-	-	-	2,766	-
<b>Assets pertaining to discontinued operations</b>	<b>112,352</b>	<b>852,545</b>	<b>-</b>	<b>-</b>	<b>112,352</b>	<b>852,545</b>
Current liabilities:						
Trade and other payables	-	134,497	85,265	204,455	85,265	338,952
Accrued expenses	-	-	-	-	-	-
<b>Liabilities pertaining to discontinued operations</b>	<b>-</b>	<b>134,497</b>	<b>85,265</b>	<b>204,455</b>	<b>85,265</b>	<b>338,952</b>

## 10. ISSUES, REPURCHASES AND REPAYMENT OF EQUITY SECURITIES

### a) Issued and paid up capital

	31-Dec-16 US\$	30-Jun-16 US\$
203,846,045 (2015: 178,119,581) fully paid ordinary shares	22,419,545	21,249,214
	<b>22,419,545</b>	<b>21,249,214</b>

### Movement in ordinary share capital

Date	Details	Number of Shares	Issue Price A\$	US\$
<b>30 June 2016</b>	<b>Opening Balance</b>	<b>178,119,581</b>		<b>21,249,214</b>
<b>7 September 2016</b>	Placement of Shares	10,580,303	0.05	401,119
	Share Issue costs			(22,942)
<b>8 December 2016</b>	Placement of Shares	32,780,000	0.05	1,257,296
	Share Issue costs			(71,749)
<b>14 December 2016</b>	Share Buy-back and cancellation	(17,633,839)	0.03	(390,807)
	Buy-back costs			(2,585)
<b>31 December 2016</b>	<b>Closing Balance</b>	<b>203,846,045</b>		<b>22,419,546</b>

## 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value.

## 12. COMMITMENTS

At the date of this report, the directors were not aware of any contingent liabilities or other capital commitments that are of a material nature.

## 13. RELATED PARTIES

During the half year ended 31 December 2016, the following related party transactions occurred:

- DigitalX Limited paid Mpire Media Pty Ltd (a company controlled by Zhenya Tsvetnenko) A\$3,167 for reimbursement of office rent, computer, telephone and office supplies incurred by the consolidated group. The consolidated group shared 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\$30,226 for 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 shared an office with Karis Marketing Group in Boston, Massachusetts and these costs incurred by the consolidated group were charged through Karis Holdings Inc.
- DigitalX Limited paid Sibella Capital Pty Ltd (a company controlled by Brett Mitchell) A\$16,500 for non-executive director fees.
- Digital CC USA LLC has provided a Credit facility to Karis Holdings Inc (a company controlled by Alex Karis) of which US\$156,061 was drawn down in the prior period and US\$152,000 was repaid during this period.

- DigitalX Limited paid Steinepreis Paganin Lawyers, of which Toby Hicks is a Partner, A\$75,767 for provision of legal services over the half year.

#### 14. POST-REPORTING DATE EVENTS

Date of event	Details of event
16 January 2017	On 16 January 2017, the Company completed a capital raising via a Share Purchase Plan to accept applications for 4,232,000 ordinary shares at an issue price of AU\$0.05 per share to raise AU\$211,600 before costs.
7 February 2017	On 7 February 2017, the Company entered into a binding agreement with Blockchain Group Limited (BGL), owner of ACX.io, the largest Bitcoin exchange in Australia by volume and order book. The agreement will see the Company wind down its DigitalX Direct operations by introducing DigitalX Direct customers to BGL in consideration for which it will receive 50% of all revenue for customers introduced to the BGL digital currency exchange and on their rollout of other international exchanges over a five-year term.
7 February 2017	On 7 February 2017 the Board of DigitalX Limited resolved to issue 1,700,000 ordinary shares to key personnel of the Company, as an incentive and as part of the Company's cash management strategy. The shares were issued under the Employee Share Plan that has been approved by the shareholders during the 30 November 2016 Annual General Meeting.
10 February 2017	On 10 February 2017 the Board of DigitalX Limited resolved to issue, 18,486,000 unlisted Options exercisable at \$0.08 each on or before 10 February 2018. Options issued as attaching options to the placement and Share Purchase Plan, as announced to ASX on 28 November 2016 and 9 December 2016 and approved by shareholders on 6 February 2017
16 February 2017	On 16 February 2017 the Board of DigitalX Limited resolved to issue, 5,000,000 unlisted Options exercisable at \$0.08 each on or before 10 February 2018. Options issued as part of consideration for capital raising services provided.

There were no other reportable post-reporting date events.

Net tangible assets per security	Current period \$USD	Previous corresponding Period \$USD
Net tangible assets per security	0.003 cents	0.02 cents

Details of entities over which control has been gained or lost during the period

Name of entity	Date of gain or loss of control	Contribution to reporting entity's loss \$USD

Details of associates and joint venture entities

Name of entity	Percentage of ownership interest held at end of period		Aggregate share of net profit (loss) contributed to the reporting entity	
	Current Period	Previous corresponding period	Current period \$USD	Previous corresponding period \$USD
HashMax Inc	0%	50%	0	0
<b>Total</b>	0%	50%	0	0