



ASX ANNOUNCEMENT

28 July 2017

June 2017 Quarterly Report

Highlights:

- Secured funding agreement for approximately \$4.35m from Blockchain Global Limited (**BGL**) and associated investors, subject to shareholder approval
- Due Diligence completed by BGL
- Alignment with a major player in the blockchain industry which will assist with the expansion of Blockchain consulting
- AirPocket awarded for Social Inclusion at the United Nations held Remittance Technology event

DigitalX Limited (ASX:DCC, **DigitalX** and **the Company**) is pleased to provide the following report on activities completed in the quarter ended 30 June 2017.

Quarterly Overview

Funding and Company Strategy

As announced on 7 June 2017, the Company entered into a conditional subscription agreement and converting loan agreement (**Agreements**) with BGL, an Australian incorporated company operating in the Blockchain space. The Agreements provide for the provision of funding of approximately \$4.35 million at 2.7 cents per share to acquire an interest of approximately 40% of the Company on a fully diluted basis (**Transaction**). The price of the investment was at a 28.5% premium to the 5 day VWAP of the Company's share price prior to the announcement on 7 June 2017. The Transaction is subject to regulatory approval which is being sought at the General Meeting scheduled for 25 August 2017 (**Meeting**).

Pursuant to the Agreements, the Company received AUD\$300,000 by way of a convertible loan, paid in Bitcoin, which was an ASX first. The Company was then able to trade the Bitcoin for a total value in excess of AUD\$300,000.

Subject to shareholder approval at the Meeting, BGL will subscribe for, or procure subscribers for shares, convertible notes and options in the Company for a further \$4.05 million. Further details on the Transaction can be found in the Notice of Meeting which was released to ASX and despatched to shareholders on 26 July 2017.

The conditional subscription agreement has proceeded with BGL approving due diligence and a use of funds budget, with shareholder approval pending at the Meeting.

The Company's Blockchain remittance App, AirPocket was live during the quarter but had an insignificant volume of transfers. While AirPocket has been built to the highest degree of security, was marketed by leading Fintech marketing company Pinta and was awarded for Social Inclusion at the Remittance Technology (Remtech) Awards night held at the United Nations¹, the App has not yet gained initial traction with customers. To date, over 2000 users have registered with the App but the volume of transfers has been insignificant.

The AirPocket campaign review highlighted three key areas of focus. Firstly, the marketing budget was not large enough to gain traction with a target customer base that is slow to trust new products with their finances. The compliance screening process enforced by our money

transfer partner was rigid, with over a third of all potential users rejected due to email or IP reputation issues. Finally, competition during the quarter peaked. Given initial results and the Company's limited finances, the Company has been reviewing its strategy around AirPocket. The Company retains confidence in the technology and continues to consider the best options to exploit this asset.

Pursuant to the Company's partnership with Lateral Communications, the Company has delivered Blockchain development pitches to a number of businesses during the quarter. While these discussions have not yet led to sales agreements, DigitalX is being recognised as a leading voice in the Australian marketplace and continues to advise on Blockchain matters. One of the highlights of the partnership included the launch of a proof of concept app at the 2017 Blockchain Summit on Sir Richard Branson's Necker Island, to present how Blockchain technology can support Mission Blue's goals to safeguard marine protected areas around the globe including at Western Australia's Abrolhos Islands.

Corporate Overview

Capital Structure Changes

Since the previous quarterly report, the Company issued a further 9 Convertible Notes with a face value of \$10,000, converting to Fully Paid Ordinary Shares at \$0.05 per Share and maturing 23 May 2018, pursuant to the Convertible Note raising announced 20 March 2017. Further details on the Convertible Notes can be found in the Notice of Meeting which was released to ASX and despatched to shareholders on 26 July 2017.

As released to ASX on 3 July 2017, 3,849,517 Unlisted Options exercisable at \$0.286 each on or before 30 June 2017, lapsed unexercised.

Summary of Working Capital Position

DigitalX Ltd had total cash and cash equivalents of \$232,000 at quarter end. The Company expects to receive up to approximately \$4 million from the balance of the BGL investment after shareholder approval on 25 August 2017.

DigitalX generated revenues of approximately \$18,000 related to DigitalX Direct referral fees and \$4,000 from foreign exchange referral fees which will be received during the current quarter.

Outlook

With the Blockchain market further improving over the quarter and DigitalX close to securing significant funding from Blockchain Global the remaining team is hungry for success in the 2018 financial year. DigitalX is now regularly approached for advice and partnership opportunities within the Blockchain stack including the digital currency market. The Company is reviewing these opportunities while the funding is finalised and continues to execute on its current assets with a very lean structure and small head count with expertise in Blockchain technology, digital currency and funds management. The Company looks forward to delivering its strategy presentation and potential new Board appointments during August 2017.

Ends

For further information, please contact

DigitalX Limited

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Managing Director

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About DigitalX

DigitalX is a Blockchain technology Company with offices in Perth and New York. Partners can use DigitalX's technology expertise to deliver innovative products to global markets.

i <http://www.nasdaq.com/article/blockchain-based-remittance-companies-win-at-remtech-awards-ceremony-cm807098>

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

DigitalX Limited

ABN

59 009 575 035

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (12 months) US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	19	8,979
1.2 Payments for		
(a) research and development	-	-
(b) advertising and marketing	(36)	(345)
(c) leased assets	-	-
(d) staff costs	(216)	(990)
(e) administration and corporate costs	(129)	(638)
(f) professional fees	(67)	(637)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	
(a) Power and hosting of bitcoin mining equipment	(15)	(199)
(b) Purchase of bitcoins for Liquidity Desk	-	(8,391)
1.9 Net cash from / (used in) operating activities	(444)	(2,221)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-

Consolidated statement of cash flows	Current quarter US\$'000	Year to date (12 months) US\$'000
(c) investments	-	-
(d) intellectual property	(11)	(807)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	(3)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities		
(a) loan to related party	-	152
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(11)	(658)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	1,829
3.2 Proceeds from issue of convertible notes	300	530
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(1)	(117)
3.5 Proceeds from borrowings ¹	239	239
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (Share Buy-back)	-	(394)
3.10 Net cash from / (used in) financing activities	538	2,087

Note:

¹ As per the ASX announcement made on the 7 June 2017, the company received AUD\$300k (USD\$226k) equivalent in Bitcoin's under a Convertible Loan agreement. The Bitcoin's were subsequently liquidated to fund working capital.

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	149	1,042
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(444)	(2,221)

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (12 months) US\$'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11)	(658)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	538	2,087
4.5	Effect of movement in exchange rates on cash held	-	(18)
4.6	Cash and cash equivalents at end of quarter	232	232

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1	Bank balances	232	149
5.2	Call deposits	-	-
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	232	149

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter US\$'000
23
-

Salary, Director fees

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter US\$'000
-
-

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8. Financing facilities available

Add notes as necessary for an understanding of the position

Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
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8.1 Loan facilities

-	-
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8.2 Credit standby arrangements

-	-
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8.3 Other (please specify)

-	-
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8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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9. Estimated cash outflows for next quarter

\$US'000

9.1 Research and development

66

9.2 Product manufacturing and operating costs

-

9.3 Advertising and marketing

45

9.4 Leased assets

-

9.5 Staff costs

117

9.6 Administration and corporate costs

118

9.7 Other (provide details if material)

(a) professional fees

101

(b) capital raising costs

42

(c) Interest on Interest bearing liabilities

19

(d) power and hosting

5

9.8 Total estimated cash outflows

513

Note: The estimated cash outflows will be funded via share issue and convertible note funding as per the ASX announcement made on the 7 June 2017.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 28 July 2017
(Managing Director)

Print name: Leigh Travers

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.