

## ASX ANNOUNCEMENT

31 August 2016

### Record Revenue and Launch of AirPocket Positions DigitalX for Strong FY17

#### Highlights

- **Total revenue for the Company in FY16 increased by 10% to a record US\$40.4 million**
- **Trading revenue increased 31% to US\$38.4 million, driven by strong growth of 113% in DirectX revenue to US\$22.4 million.**
- **Mining operations delivered a profit of US\$666k**
- **Overall net loss for FY16 of US\$3.4 million, an improvement of 50% over FY15**
- **DigitalX has made significant progress in the commercialisation of its unique money transfer App, AirPocket, and is well positioned for a strong FY17**

**DigitalX Limited** (ASX: DCC and 'the Company') is pleased to report its full year results for the period ended 30 June 2016 with the Company delivering record revenues and a sharp improvement in earnings.

The results reflect a strong performance from the Company's Trading operations, specifically the DirectX liquidity platform.

During the year, the Company also made significant progress on the commercialisation of its unique money and value transfer App, AirPocket, and is expecting further significant growth in this business in the current financial year.

#### Financial and Operational Results

Growth in sales from the Trading business was one of the main drivers for a 10% increase in total revenue in FY16 to a record US\$40.4m.

Overall, the Trading business delivered US\$38.5m in revenue in FY16, an increase of 31%. This was driven by a 113% increase in revenue to US\$22.5m from the DirectX platform.

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 in FY16 of US\$3.4m compared to a net loss in FY15 of US\$6.8m.

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 over US\$666k.

### Summary of DigitalX's results (All figures in US\$)

	FY16	FY15	Movement
<b>Total Revenue</b>	\$40.4m	\$36.6m	↑ 10%
<b>Net Loss</b>	\$3.4m	\$6.8m	↑ 50%
<b>Trading Revenue</b>	\$38.5m	\$29.4m	↑ 31%
<b>Bitcoin Mining segment profit/(loss) *</b>	\$666k	(\$3.7)m	↑ 118%

#### AirPocket

During the year, DigitalX made significant progress in its expansion into the global payments market, through its unique payments and value transfer App, AirPocket.

The Company officially launched the AirPocket application on the Google Play and Apple App store in June following the signing of a strategic partnership agreement with Telefónica, S.A., which gives customers of the global telecommunications giant access to AirPocket to top-up mobile phones in Latin America.

A multi-channel marketing campaign has since kicked off across the United States and Latin America, which includes a SMS campaign through Telefónica, as well as social media campaign on Facebook, Instagram and Twitter.

DigitalX also signed a partnership during the year with a leading Mexican-based payments provider to expand the use of the AirPocket App across Mexico.

The Company will provide an update on the Telefónica SMS campaign and the AirPocket integration with the payments provider in September.

#### Outlook

DigitalX has made significant progress on its move into the global remittance and payments industry in FY16 and is now in a strong position to drive the rapid adoption of AirPocket across multiple markets in FY17.

The Company is in the final stages of negotiations with other strategic partners in the telecommunications and remittance industries which will help to drive this growth. DigitalX looks forward to updating the market on these agreements as they are finalised.

On the Trading front, the Company will look to build on the strong finish to FY17 and the anticipated interest in Bitcoin, as continued global economic uncertainty drives renewed investor interest in the digital currency.

“We have achieved a number of things in the past year that we can be proud of, but these have not been easy times for our company and shareholders – particularly after the recent resignation of Mr Zhenya Tsvetnenko as a Director,” said DigitalX’s Chief Executive Officer, Alex Karis.

“However, I believe the worst is behind us and there’re a lot of things to look forward to in FY17. The Company continues to generate strong revenue in our Trading business, while we expect to see AirPocket make further significant inroads into the global payments and remittance market.”

**-ENDS-**

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**About DigitalX Limited**

DigitalX is a Blockchain-based software solutions group disrupting the payments industry. Its products allow consumers to make secure and cost-effective money transfers worldwide. Partners can use DigitalX’s technology to offer new financial products. DigitalX is based in Boston and has offices in New Jersey and Australia.

## REPORTING PERIOD

Financial Period 30 June 2016

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

	% change from financial period ending 30 June 2015	US\$
Revenue from ordinary activities	Up 10%	40,403,656
Loss from ordinary activities after tax attributable to members	Loss down 50%	(3,417,305)
Net loss for the period attributable to members	Loss down 50%	(3,427,305)

### Dividends paid or recommended

No dividends have been paid or declared for payment during the financial year.

### Net tangible asset per ordinary share

2016	2015
US cents/share	US cents/share
0.8	2.5

### Audit Status

This report is based on Unaudited Financial Statements which are currently in the process of being audited.

### Entities over which control has been lost during the period

N/A

### Entities over which control has been gained during the period

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.

### **Associates and joint venture entities**

During the period the Company had terminated its Mintsy Joint Venture (JV) with Cryptsy, which the Group entered into in September 2014 to provide Crypto-currency mining services. The Group advises that it has provided no further funding to the operation as well as recovering all the mining equipment that was provided to Mintsy.

### **Operating results**

The consolidated loss for the group after providing for income tax amounted to US\$3,427,305 (2015: US\$6,769,719)

### **Commentary on the results for the period**

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 trusted 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 113%, recording US\$22.4m 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 preliminary final 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.

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**

	<b>CONSOLIDATED GROUP</b>		
	<i>Note</i>	Year ended 30-Jun-16 US\$	Year ended 30-Jun-15 US\$
Other Income	3	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	4(a)	(620,876)	(1,054,278)
Corporate expenses		(196,022)	(127,775)
Interest expense		-	-
Advertising, media and investor relations		(116,364)	(320,360)
Employee benefit expenses		(1,639,643)	(1,798,885)
Share based payments – employee benefits		-	1,653,782
Inventory write-down	4(b)	(130,983)	-
Depreciation		(9,712)	(6,585)
Amortisation		-	(5,946)
Joint venture investment write down		-	(1,047,011)
Intangible asset impairment	11	(1,106,641)	-
Realised and unrealised foreign exchange losses		(6,559)	(254,910)
Corporate transaction accounting expense		-	-
Bad debtors expense		(261,936)	(170,906)
Other expenses	4(c)	(601,003)	(553,773)
<b>Loss before tax</b>		<b>(4,083,045)</b>	<b>(3,043,866)</b>
Income tax benefit/(expense)		-	-
<b>Loss after income tax from continuing operations</b>		<b>(4,083,045)</b>	<b>(3,043,866)</b>
<b>Profit/(Loss) from discontinued operations</b>	5	<b>665,740</b>	<b>(3,725,853)</b>
<b>LOSS FOR THE PERIOD</b>		<b>(3,417,305)</b>	<b>(6,769,719)</b>
<b>Total comprehensive loss for the period</b>			
<b>Total comprehensive loss attributable to:</b>			
Members of the parent entity		<b>(3,417,305)</b>	<b>(6,769,719)</b>
<i>Loss per share attributable to the ordinary equity holders of the parent:</i>			
<i>From continuing and discontinued operations</i>			
Basic and diluted loss per share (cents)	6	(0.019)	(0.042)

The accompanying notes form part of these financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	CONSOLIDATED GROUP	
		30-Jun-16 US\$	30-Jun-15 US\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,042,288	2,608,103
Trade and other receivables	7	1,037,519	1,261,891
Prepayments	8	88,732	85,882
Bitcoins	9	163,380	1,011,230
Bitcoin mining hardware – assets held for sale	10	-	131,663
<b>Total Current Assets</b>		<b>2,331,919</b>	<b>5,098,769</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	24,251	16,435
Intangible assets	11	194,205	476,362
<b>Total Non-Current Assets</b>		<b>218,455</b>	<b>492,797</b>
<b>TOTAL ASSETS</b>		<b>2,550,375</b>	<b>5,591,566</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	370,495	409,757
Accrued expenses		408,104	173,169
Restoration provisions	13	103,981	103,981
<b>Total Current Liabilities</b>		<b>882,580</b>	<b>686,907</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>Total Non-Current Liabilities</b>		-	-
<b>TOTAL LIABILITIES</b>		<b>882,580</b>	<b>686,907</b>
<b>NET ASSETS</b>		<b>1,667,795</b>	<b>4,904,659</b>
<b>EQUITY</b>			
Issued capital	15	21,249,214	21,068,773
Reserves	16	642,360	1,821,980
Accumulated losses		(20,223,779)	(17,986,094)
<b>TOTAL EQUITY</b>		<b>1,667,795</b>	<b>4,904,659</b>

The accompanying notes form part of these financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

	CONSOLIDATED GROUP	
	Year ended	Year ended
	30-Jun-16 US\$	30-Jun-15 US\$
Note		
<b><i>Cash flows from operating activities</i></b>		
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)
<b>Net cash used in operating activities</b>	<b>17</b>	<b>(3,222,690)</b>
<b><i>Cash flows from investing activities</i></b>		
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	(156,000)	
Receipt/ (Payment) for security deposit	-	600,000
<b>Net cash used in investing activities</b>		<b>(1,320,464)</b>
<b><i>Cash flows from financing activities</i></b>		
Proceeds from issue of equity securities	-	2,698,485
Receipt of shareholder loans (net)	-	-
Payments for share issue costs	(20,987)	(160,410)
<b>Net cash provided by financing activities</b>		<b>2,538,075</b>
<b>Net decrease in cash and cash equivalents held</b>		<b>(1,558,125)</b>
Cash and cash equivalents at beginning of period		4,574,582
Foreign exchange movement in cash		38,600
<b>Cash and cash equivalents at end of period</b>		<b>2,608,103</b>

The accompanying notes form part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Group	Note	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>
Total comprehensive loss attributable to members of parent entity		-	-	(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 issued	16	-	-	-	-
Share options and performance rights lapsed	16	-	(1,179,620)	1,179,620	-
<b>Balance at 30 June 2016</b>		<b>21,249,214</b>	<b>642,360</b>	<b>(20,223,779)</b>	<b>1,667,795</b>

Consolidated Group	Note	Issued Capital US\$	Option Premium and Share Based Payment Reserve US\$	Accumulated Losses US\$	Total US\$
<b>Balance at 30 June 2014</b>		<b>18,404,582</b>	<b>3,475,762</b>	<b>(11,216,375)</b>	<b>10,663,969</b>
Total comprehensive loss attributable to members of parent entity		-	-	(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	16	-	(1,653,782)	-	(1,653,782)
Share options and performance rights lapsed	16	-	-	-	-
<b>Balance at 30 June 2015</b>		<b>21,068,773</b>	<b>1,821,980</b>	<b>(17,986,094)</b>	<b>4,904,659</b>

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## **NOTES TO THE PRELIMINARY FINAL REPORT FOR THE YEAR END 30 JUNE 2016**

### **1. SIGNIFICANT ACCOUNTING POLICIES**

The preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

### **2. 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 three reportable segments being the Bitcoin mining, software development and trading operations.

	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\$						
<b>Revenue</b>										
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
<b>Total segment income</b>	<b>41,033,757</b>	<b>33,172,677</b>	<b>-</b>	<b>-</b>	<b>18,579</b>	<b>2,456</b>	<b>(2,572,851)</b>	<b>(3,787,315)</b>	<b>41,710,867</b>	<b>33,491,133</b>
<b>Results</b>										
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)
<b>Loss attributable to members of the parent entity</b>									<b>(3,417,305)</b>	<b>(6,769,719)</b>
<b>Other</b>										
Depreciation of segment assets	-	-	-	-	9,712	6,585	-	-	9,712	6,585
Amortisation of segment assets	-	-	-	-	-	5,946	-	-	-	5,946
<b>Reconciliation of underlying EBITDA</b>										
Profit/(Loss) after income tax									(3,417,305)	(6,769,719)
Interest									(1,876)	(2,456)

	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\$						
Taxation									-	(27,141)
Depreciation									141,594	3,637,598
Amortisation									-	5,946
EBITDA									(3,277,587)	(3,155,913)

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.

	Assets classified as held for sale		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	30-Jun-16	30-Jun-15
Segment reporting	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Assets</b>										
Segment assets	163,380	1,347,852	852,545	991,249	100,579	382,736	1,433,871	2,869,730	2,550,375	5,591,566
Total assets	163,380	1,347,852	852,545	991,249	100,579	382,736	1,433,871	2,869,730	2,550,375	5,591,566
<b>Liabilities</b>										
Segment liabilities	204,455	81,178	134,497	-	200	25,423	543,428	580,306	882,580	686,907
Total liabilities	204,455	81,178	134,497	-	200	25,423	543,428	580,306	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 \$828,751.

### 3. 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
<b>Total other income</b>	<b>52,492</b>	<b>56,496</b>

### 4. EXPENSES

#### (a) Professional and Consultancy fees

	Year ended 30-Jun-16 US\$	Year ended 30-Jun-15 US\$
Legal fees	442,082	470,584
Consulting fees	62,453	237,634
Tax consulting fees	16,075	106,173
Audit fees	100,266	239,887
<b>Total professional and consultancy fees</b>	<b>620,876</b>	<b>1,054,278</b>

#### (b) Inventory write-down

	Year ended 30-Jun-15 US\$	Year ended 30-Jun-15 US\$
Inventory write down	(130,983)	-
<b>Total inventory impairment</b>	<b>(130,983)</b>	<b>-</b>

#### (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
<b>Total other expenses</b>	<b>601,003</b>	<b>553,773</b>

## 5. DISCONTINUED OPERATIONS

### 5.1 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.

### 5.2 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 profit 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 US\$	Year ended 30-Jun-15 US\$
<b>Profit/(Loss) for the year from discontinued operations</b>		
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	792,861
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)	(90,000)
<b>Profit/(Loss) before income tax</b>	<b>665,740</b>	<b>(3,752,994)</b>
Attributable income tax benefit	-	27,141
Profit for the year from discontinued operations (attributable to owners of the Company)	<b>665,740</b>	<b>(3,725,853)</b>
<b>Cash flows from discontinued operations</b>		
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	-	-
<b>Net Cash inflows</b>	<b>274,264</b>	<b>145,440</b>

## 6. EARNINGS PER SHARE

	Year ended 30-Jun-16 US\$	Year ended 30-Jun-15 US\$
Basic and diluted loss per share (cents)	0.019	0.042
The loss used in the calculation of basic and diluted loss per share are as follows:	<b>3,417,305</b>	<b>6,769,719</b>
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 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.

## 7. CURRENT ASSETS – TRADE & OTHER RECEIVABLES

	30-Jun-16 US\$	30-Jun-15 US\$
Trade receivables	852,545	991,249
GST receivable	13,480	27,724
VAT receivable - Iceland	-	39,895
Loan to a related party	157,932	165,064
Other	13,561	37,959
<b>Total trade and other receivables</b>	<b>1,037,519</b>	<b>1,261,891</b>

## 8. CURRENT ASSETS – PREPAYMENT

	30-Jun-16 US\$	30-Jun-15 US\$
<b>Current</b>		
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	-
<b>Total Prepayments</b>	<b>88,732</b>	<b>85,882</b>

## 9. CURRENT ASSETS - BITCOINS

	30-Jun-16 US\$	30-Jun-15 US\$
Bitcoins	163,380	1,011,230
<b>Total Bitcoins</b>	<b>163,380</b>	<b>1,011,230</b>

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 31 August is US\$575.

10. 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)
<b>Net Carrying amount</b>	<b>-</b>	<b>131,663</b>
<i>Reconciliation</i>		
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)
<b>Carrying amount at end of period, net of accumulated depreciation</b>	<b>-</b>	<b>131,663</b>

11. NON - CURRENT ASSETS - INTANGIBLE ASSETS

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

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.

**12. CURRENT LIABILITIES – TRADE & OTHER PAYABLES**

	30-Jun-16 US\$	30-Jun-15 US\$
Trade payables	341,052	321,746
PAYG withholding payable	29,443	41,965
Payroll accrual	-	46,046
<b>Total trade and other payables</b>	<b>370,495</b>	<b>409,757</b>

**13. CURRENT LIABILITIES – RESTORATION PROVISION**

	30-Jun-16 US\$	30-Jun-15 US\$
Restoration provision for environmental rehabilitation <sup>1</sup>	103,981	103,981
	<b>103,981</b>	<b>103,981</b>

<sup>1</sup> Restoration provision relates to the prior operations of Macro Energy Limited.

**14. PROPERTY, PLANT AND EQUIPMENT – COMPUTER EQUIPMENT**

	30-Jun-16 US\$	30-Jun-15 US\$
Cost	42,695	25,167
Accumulated depreciation	(18,444)	(8,732)
<b>Net Carrying amount</b>	<b>24,251</b>	<b>16,435</b>
<i>Reconciliation</i>		
Carrying amount at beginning of period	16,435	5,152
Additions	17,528	17,868
Depreciation charge for the period	(9,712)	(6,585)
<b>Carrying amount at end of period, net of accumulated depreciation</b>	<b>24,251</b>	<b>16,435</b>

## 15. 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
	<b>21,249,214</b>	<b>21,068,773</b>

### (b) Movement in Ordinary Share Capital

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

<sup>1</sup> 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*

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

<sup>1</sup> 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.

<sup>2</sup> 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

<sup>3</sup> 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.

<sup>4</sup> 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.

## 16. RESERVES

	30-Jun-16 US\$	30-Jun-15 US\$
Option premium and share-based payment reserve	642,360	1,821,980
	<b>642,360</b>	<b>1,821,980</b>

### (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

These unlisted options went unexercised and thus lapsed as at 30 June 2016. For this reason, the Group reduced its Option Premium and Share Based Payment Reserve by the value of these options, US\$1,179,620, and reduced its Accumulated Losses accordingly.

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

## 17. NOTES TO THE CASH FLOW STATEMENT

<i>Reconciliation of cash flow from operations with profit / (loss) after income tax</i>	<i>Note</i>	<b>Year ended 30-Jun-16 US\$</b>	<b>Year ended 30-Jun-15 US\$</b>
Loss after income tax		(3,417,305)	(6,769,719)
<i>Non-cash flows in loss</i>			
Revenue from bitcoins earned		(1,904,171)	(6,414,134)
Net fair value (gain)/ loss on bitcoins		-	3,109,492
Mined Coins Sold		2,538,939	3,787,315
Bitcoin mining pool fees		-	-
Inventory impairment		36,742	-
Intangible asset impairment	11	1,106,641	
Corporate transaction accounting (benefit)/expense	16	-	(1,653,782)
Depreciation	10,14	141,594	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		238,188	(137,953)
		(1,077,177)	(3,388,226)
<i>Change in assets and liabilities, net the effects of purchase of subsidiaries</i>			
Decrease / (increase) in trade and other receivable		382,481	293,084
Decrease / (increase) in prepayments		(2,850)	134,565
(Decrease) / increase in trade payables and accruals		183,448	(234,972)
(Decrease) / increase in tax payable		-	(27,141)
Net cash used in operating activities		<b>(514,098)</b>	<b>(3,222,690)</b>

## 18. EVENTS AFTER THE REPORTING DATE

<b>Date of event</b>	<b>Details of event</b>
<b>25/07/2016</b>	<p>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.</p> <p>Leigh Travers had joined the Board as an Executive Director, Mr Travers is the Vice President of Business Development and Investor Relations for DigitalX.</p>
<b>28/07/2016</b>	<p>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</p>
<b>02/08/2016</b>	<p>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.</p>

There were no other reportable subsequent events.