



DIGITALX LIMITED

A.B.N. 59 009 575 035

**ASX APPENDIX 4D & FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

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Directors

Eugeni 'Zhenya' Tsvetnenko
Executive Chairman

Alex Karis
Managing Director
Chief Executive Officer

William Brindise
Executive Director
Chief Trading Officer

Brett Mitchell
Non-Executive Director

Company Secretary

Rachel Kerr

ABN

59 009 575 035

Registered Office and Principal Place of Business

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Auditor

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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

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Current reporting period: half-year ended 31 December 2015 (Reported in USD\$)

| Results | USD\$ | | | |
|--|---------------------|-------|-----------------------------|------------|
| Revenues | up | 22.8% | to | 18,356,983 |
| Loss from ordinary activities after tax attributable to members | down | 61.3% | to | 883,695 |
| Net Loss for the period attributable to members | down | 61.3% | to | 883,695 |
| Dividends (distributions) | 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 and its subsidiaries ("the Group") for the half year ended 31 December 2015. 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 Eugeni 'Zhenya' Tsvetnenko, *Executive Chairman*
- Mr Alex Karis, *Managing Director and Chief Executive Officer*
- Mr William Brindise, *Executive Director and Chief Trading Officer*
- Mr Brett Mitchell, *Non-Executive Director*

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 prospectus for future financial years. This information complements and supports the Half-year Financial Report presented herein.

Disclosure of Operations

DigitalX Limited is principally involved in the following activities:

- a) Bitcoin transaction verification (Bitcoin mining)
- 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)
- c) Development of software applications for global payments and financial technology products operating as AirPocket.

Our operations are conducted from our offices in the USA, Boston, MA, Red Bank, NJ and Australia, Perth, WA.

Financial Review

| | US\$ |
|--|------------|
| Revenue from ordinary activities | 18,356,983 |
| Loss before interest, tax depreciation and amortisation (EBITDA) | 752,036 |
| Loss from ordinary activities after tax attributable to members | 883,695 |
| Net loss for the period attributable to members | 883,695 |

The consolidated loss after tax for the period ended 31 December 2015 was US\$883,695 (2014: US\$2,286,107). The loss is impacted mainly by the power and hosting expenses of US\$1,487,633 (2014: US\$2,092,350) and depreciation of mining hardware US\$131,663 (2014: \$2,503,041)

Commentary

DigitalX Ltd has completed a corporate rebranding and is focused on becoming a leading provider of Blockchain-based software solutions to disrupt the payments industry. Its products allow consumers to make secure and cost-effective money transfers worldwide. The company is currently securing strategic partners to fast-track the commercial rollout of DigitalX's technology around the world.

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.

DigitalX Direct (<https://digitalxdirect.com/>) is a dynamic private liquidity platform which provides real time liquidity to institutional investors and large commercial operators.

Operations Update

AirPocket

The DigitalX team is focused on and committed to executing the commercial rollout of the Company's global remittance FinTech product, AirPocket, by first targeting the Latin America and Caribbean market. The rollout coincides with the move into Blockchain technology by the global banking industry.

The Company has made significant progress towards rolling out AirPocket over the first half of the financial year. After successful independent, security and stress testing, AirPocket underwent a real-world trial with 50 users, which yielded excellent results.

The beta testers evaluated AirPocket's usability, interface and AirCode concept after going through a real-time verification process. The feedback has been overwhelmingly positive with over 80% of users finding the app user friendly and easy to use, while nearly 90% agreeing that the product offered highly competitive fees.

Since the trial, DigitalX has made further improvements to the app to improve response times and is currently undertaking an expanded 1,000 user beta test that will cover more markets in Latin America. It is anticipated that the expanded trial will be completed by the end of March 2016.

DigitalX Direct and Liquidity Desk

The Liquidity Desk and DigitalX Direct operations have produced significant revenue over the period supported by a rise in the price of bitcoins and strong trading activity. Total trading gross profit including the fair value market gain on bitcoins held was over \$1.37m. The group held US\$1m in bitcoins at the start of the period.

DigitalX Direct was the main driver of group revenue with \$9m over the half year. This figure is a slight decline of 2.5% compared to the first calendar half 2015, due to a change in the customer mix. Both the Liquidity Desk trading and Market Making operations contributed positively to revenue and profit.

Transaction Verification (Bitcoin Mining)

"Bitcoin Mining" refers to the critical process of supplying transaction verification services to the Bitcoin digital currency network – ensuring all transactions are unique and valid.

The Group currently has one mining operation at the geothermally powered Verne Global Data Centre in Iceland. Significant cost saving measures were implemented in the first half, with revenue of \$1.37m generated over the half year.

Being at the forefront of Bitcoin mining operations, DigitalX was able to capitalise on its involvement with the Blockchain to apply the technology to other areas. In light of this focus on Blockchain-based software, particularly with the launch of AirPocket, DigitalX will wind down its Bitcoin mining operations by June 2016.

There were no further capital investments made in Bitcoin mining assets and the group reduced monthly expenditure on power and hosting by almost 22% over the first half of the 2015 calendar year.

The net assets of the consolidated group as at 31 December 2015 were \$4,201,405 (2015: \$4,904,659) which includes \$2,985,573 (2015: \$2,608,103) of cash and cash equivalents and \$402,639 (2015: \$1,011,230) of bitcoin inventory.

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

DigitalX secured two major strategic partnership agreements after 31 December 2015 that will drive the rapid adoption of AirPocket. The first partnership is with one of the world's largest global telecommunications groups and the second is with a leading payments provider in Mexico.

The strategic partnerships highlight the value proposition that Blockchain-based software brings to highly regulated markets, such as money transfer, as it offers the highest-level security and auditability. DigitalX is working on integrating AirPocket into the partners' operating framework in the current half so that AirPocket can be used to service a potential audience of over 110 million users across the Latin American and Caribbean region.

The Company is targeting further partnerships with global telecommunications, banking, marketing and retail companies to facilitate the rapid consumer adoption of AirPocket while keeping customer acquisition cost to a minimum.

Further information on likely developments have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated group.

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



**Zhenya Tsvetnenko
Executive Chairman**

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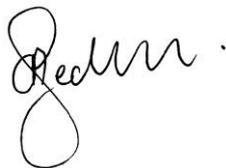
**Auditor's Independence Declaration
To The Directors of DigitalX Limited**

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 2015, 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



C A Becker
Partner - Audit & Assurance

Perth, 29 February 2016

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a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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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 (“Company”), which comprises the condensed consolidated financial statements being the condensed statement of financial position as at 31 December 2015, and the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a statement 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 the DigitalX Limited consolidated entity’s financial position as at 31 December 2015 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:

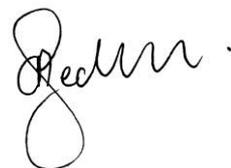
- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding going concern

Without qualifying our opinion, we draw attention to Note 1(c) in the financial report which indicates that the company incurred a net loss of \$883,695 during the half year ended 31 December 2015. 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



C A Becker
Partner - Audit & Assurance

Perth, 29 February 2016

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 s.303(5) of the *Corporations Act 2001*.

On behalf of the directors



Zhenya Tsvetnenko
Executive Chairman
Perth, 29 February 2016

DigitalX Limited
Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the half-year ended 31 December 2015

| | Note | 31-Dec-15 US\$ | 31-Dec-14 US\$ |
|--|------|-------------------|--------------------|
| REVENUE – BITCOINS | | | |
| Revenue from bitcoins mined | | 1,368,761 | 4,605,739 |
| Net fair value gain/(loss) on bitcoin inventory held for trading | | 1,046,629 | (2,293,391) |
| Other income | | 43,609 | 475,622 |
| Trading desk bitcoin sales | | 16,944,613 | 9,868,691 |
| Trading desk bitcoin purchases | | (16,645,792) | (9,723,942) |
| Total revenue | | 2,757,820 | 2,932,719 |
| EXPENDITURE | | | |
| Hardware repair expense | | (10,191) | (117,385) |
| Power and hosting expenses | | (1,487,633) | (2,092,350) |
| Professional and consultancy fees | | (207,787) | (391,393) |
| Corporate expenses | | (70,573) | (36,630) |
| Advertising and media relations | | (40,256) | (175,364) |
| Employee benefit expenses | | (985,434) | (1,050,263) |
| Depreciation and amortisation | | (131,663) | (2,503,041) |
| Fair value adjustment of performance rights | | - | 1,653,782 |
| Loss of cash on exchange | | (94,241) | - |
| Realised and unrealised foreign exchange gain/(loss) | | 1,848 | (192,897) |
| Bad debtors expense | | (329,191) | - |
| Other expenses | | (286,394) | (313,285) |
| Loss before tax | | (883,695) | (2,286,107) |
| Income tax expense | | - | - |
| Loss after income tax | | (883,695) | (2,286,107) |
| LOSS FOR THE PERIOD | | (883,695) | (2,286,107) |
| Total other comprehensive loss for the period | | - | - |
| Total comprehensive loss attributable to: | | | |
| Members of the parent entity | | (883,695) | (2,286,107) |
| Loss per share attributable to the ordinary equity holders of the parent: | | | |
| From continuing and discontinued operations | | | |
| Basic and diluted loss per share (cents) | | (0.005) | (0.014) |

The accompanying notes form part of these financial statements.

DigitalX Limited
Condensed Consolidated Statement of Financial Position
As at 31 December 2015

| | <i>Note</i> | 31-Dec-15 US\$ | 30-Jun-15 US\$ |
|--------------------------------------|-------------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4 | 2,985,573 | 2,608,103 |
| Trade and other receivables | 6 | 403,273 | 1,261,891 |
| Prepayments | | 110,013 | 85,882 |
| Bitcoins | 5 | 402,639 | 1,011,230 |
| Bitcoin mining hardware | 7 | - | 131,663 |
| Total Current Assets | | 3,901,498 | 5,098,769 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 24,174 | 16,435 |
| Intangible assets | | 916,156 | 476,362 |
| Total Non-Current Assets | | 940,330 | 492,797 |
| TOTAL ASSETS | | 4,841,828 | 5,591,566 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 223,525 | 409,757 |
| Accrued expenses | 8 | 312,917 | 173,169 |
| Restoration provisions | | 103,981 | 103,981 |
| Total Current Liabilities | | 640,423 | 686,907 |
| NON-CURRENT LIABILITIES | | | |
| Total Non-Current Liabilities | | - | - |
| TOTAL LIABILITIES | | 640,423 | 686,907 |
| NET ASSETS | | 4,201,405 | 4,904,659 |
| EQUITY | | | |
| Issued capital | 9 | 21,249,214 | 21,068,773 |
| Reserves | | 1,821,980 | 1,821,980 |
| Accumulated losses | | (18,869,789) | (17,986,094) |
| TOTAL EQUITY | | 4,201,405 | 4,904,659 |

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 2015

| Consolidated Group | Issued Capital US\$ | Option Premium and Share Based Payment Reserve US\$ | Accumulated Losses US\$ | Total US\$ |
|---|------------------------------------|--|--|-----------------------|
| Balance at 1 July 2015 | 21,068,773 | 1,821,980 | (17,986,094) | 4,904,659 |
| 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) |
| Share options and performance rights issued | - | - | - | - |
| Balance at 31 December 2015 | 21,249,214 | 1,821,980 | (18,869,789) | 4,201,405 |

| Consolidated Group | Issued Capital US\$ | Option Premium and Share Based Payment Reserve US\$ | Accumulated Losses US\$ | Total US\$ |
|---|------------------------------------|--|--|-----------------------|
| Balance at 1 July 2014 | 18,404,582 | 3,475,762 | (11,216,375) | 10,663,969 |
| Loss for the period | - | - | (2,286,107) | (2,286,107) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | - | - | (2,286,107) | (2,286,107) |
| Shares issued during the period | 145,348 | - | - | 145,348 |
| Share issue costs | - | - | - | - |
| Share options and performance rights issued | - | (1,653,782) | - | (1,653,782) |
| Balance at 31 December 2014 | 18,549,930 | 1,821,980 | (13,502,482) | 6,896,428 |

The accompanying notes form part of these financial statements.

DigitalX Limited
Condensed Consolidated Statement of Cash Flows
For the Half-Year Ended 31 December 2015

| | Note | 31-Dec-15 US\$ | 31-Dec-14 US\$ |
|--|------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Proceeds from sale of bitcoins | | 20,449,387 | 13,092,014 |
| Payments for power and hosting | | (1,296,483) | (1,903,374) |
| Purchase of bitcoins | | (16,653,599) | (10,193,293) |
| Receipt of Value Added Tax from Iceland | | - | 1,160,160 |
| Interest received | | - | 1,970 |
| Receipt of lease fee for mining hardware | | - | 258,113 |
| Receipt for security deposit | | - | 600,000 |
| Payments to suppliers and employees | | (1,498,668) | (2,667,774) |
| Net cash provided by operating activities | | 1,000,637 | 347,816 |
| Cash flows from investing activities | | | |
| Payment for intellectual property | | (434,590) | (76,906) |
| Loan to related party | | (156,061) | - |
| Acquisition of Property, Plant and Equipment | | (5,378) | (19,537) |
| Net cash used in investing activities | | (596,029) | (96,443) |
| Cash flows from financing activities | | | |
| Payments for share issue costs | | (20,987) | - |
| Net cash used in financing activities | | (20,987) | - |
| Net increase in cash and cash equivalents held | | 383,621 | 251,373 |
| Cash and cash equivalents at beginning of period | | 2,608,103 | 4,574,582 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | (6,151) | 81,941 |
| Cash and cash equivalents at end of period | | 2,985,573 | 4,907,896 |

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

- The Group issued shares to key employees of the Group as part of their remuneration packages – see Note 9.

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 2015 annual financial report for the financial year ended 30 June 2015.

(c) Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

The consolidated entity has incurred a net loss after tax for the half-year ended 31 December 2015 of \$883,695 (2014: \$2,286,107) and generated net cash inflows from operating activities of \$1,000,637 (2014: \$347,816). As at 31 December 2015, the consolidated entity had cash assets of \$2,985,573 (2015: \$2,608,103), Bitcoin current assets of \$402,639 (2015: \$1,011,230) and had a working capital surplus of \$3,261,075 (2015: \$4,411,862).

At the date of this report the consolidated entity's cash flow forecast indicates that it expects to be able to meet its minimum commitments and working capital requirements for the twelve month period from the date of signing the half-year financial report. Given the volatile nature of the industry in which the consolidated entity operates and the "start-up" nature of a number of businesses in the group, the consolidated entity is subject to a number of risks and uncertainties that may adversely impact future trading results and cash flows. This may in turn result in the consolidated entity requiring additional funding, either through raising additional equity or debt.

The most significant risk and uncertainties are as follows:

Cash flows from the consolidated entity's transaction verification services termed "Bitcoin mining" are highly dependent on the rate at which the consolidated entity is able generate bitcoins from those activities, as well as the prevailing bitcoin price which is difficult to predict and highly volatile as demonstrated in the below table:

| Date | Bitcoin price per Bitfinex (US\$) |
|------------------|-----------------------------------|
| 30 June 2013 | 89 |
| 31 December 2013 | 739 |
| 30 June 2014 | 640 |
| 31 December 2014 | 320 |
| 30 June 2015 | 237 |
| 30 December 2015 | 430 |

The fluctuations in the bitcoin price directly influences the profitability of the consolidated entity and the value of bitcoin inventory held, with falls in price lowering profitability and rises in price increasing profitability.

The rate at which the consolidated entity is able to generate bitcoins from its mining activities is influenced by a number of factors including the complexity of the network algorithm (difficulty), the consolidated entity's computer processing (or 'hashing') capacity relative to the total hashing capacity, and technological obsolescence reflecting rapid development in the Bitcoin mining hardware industry.

Increased difficulty and the reduction of the consolidated entity's relative capacity to the total hashing capacity will result in the consolidated entity earning fewer bitcoins from mining activities; while decreased difficulty and the increase of the consolidated entity's relative capacity to the total hashing capacity will result in the consolidated entity earning more bitcoins from mining activities.

The consolidated entity has started a new venture named AirPocket during the period ending 31 December 2015. The success of this ventures, and its ability to achieve its budgeted cash flows, is subject to a high level of uncertainty due to the early stage of its implementation, 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, and the significant uncertainty as to whether the consolidated entity would be able to raise additional funding, 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 half year financial statements. No adjustments have been made to the half year 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 2015, 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 2015. 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, apart from those involving estimations (see Note 2(c)), 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 at 31 December 2015 is US\$822,530.

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

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

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

Further the Group has successfully completed the first phase of security testing with leading U.S. technology security firm Security Innovation, secured money transmitter services in the U.S and in February 2016 the Group has entered into a marketing distribution and sales agreement with one of the world's largest telecommunications groups giving over 100million mobile phone user's access to AirPocket as well as a signing a memorandum of understanding (MoU) with a Mexico-based payment provider that will allow its members to use the Company's AirPocket money transfer app.

The Group has evaluated the future economic benefit by modelling the expected future cash flows to estimate a value of the asset. The estimated amount confirms that the intangible asset is eligible to be recognised.

(c) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Capitalisation of development costs

Due to the lack of historic performance data, the Group has used estimated variables to derive expected future cash flows to estimate the value of the asset. The estimates used are based on forecast fees and costs as well as actual market data for the relevant industry and comparative market segments. The Group has assessed the validity of the estimates used to be reflective of the currently available information.

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 2015 the group operated three reportable segments being the Bitcoin mining, trading operations, and software development.

DigitalX Limited
Notes to the Condensed Consolidated Financial Statements
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| | Bitcoin mining | | Trading | | Software development | | Unallocated | | Mined Coins Transfer Elimination | | Total | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------------------------|--------------------------|--------------------------|--------------------------|
| | 6-months ended 31-Dec-15 | 6 months ended 31-Dec-14 | 6-months ended 31-Dec-15 | 6 months ended 31-Dec-14 | 6-months ended 31-Dec-15 | 6 months ended 31-Dec-14 | 6-months ended 31-Dec-15 | 6 months ended 31-Dec-14 | 6-months ended 31-Dec-15 | 6 months ended 31-Dec-14 | 6-months ended 31-Dec-15 | 6 months ended 31-Dec-14 |
| Segment reporting | US\$ | US\$ | US\$ | US\$ |
| Revenue | | | | | | | | | | | | |
| Bitcoin mining revenue | 1,368,761 | 4,605,739 | | | | | | | | | 1,368,761 | 4,605,739 |
| Net fair value gain/(loss) on bitcoins held | 1,046,629 | (2,293,391) | | | | | | | | | 1,046,629 | (2,293,391) |
| Liquidity Desk revenue | | | 8,880,402 | 10,882,977 | - | - | | | (1,963,805) | (2,207,808) | 6,916,597 | 8,675,169 |
| digitalX Direct revenue | | | 8,997,542 | 1,193,522 | - | - | | | | | 8,997,542 | 1,193,522 |
| Market Making revenue | | | 1,030,474 | - | - | - | | | | | 1,030,474 | - |
| Other income | 10,091 | 473,166 | 33,514 | - | - | - | 4 | 5,824 | - | - | 43,609 | 475,622 |
| Total segment income | 2,425,481 | 2,785,514 | 18,941,932 | 12,076,499 | - | - | 4 | 5,824 | (1,963,805) | (2,207,808) | 19,403,612 | 12,656,661 |
| Results | | | | | | | | | | | | |
| Segment result | | | | | | | | | | | | |
| Profit/(loss) before income tax | 755,655 | (2,013,721) | (171,276) | (79,677) | - | - | (1,468,074) | (192,709) | - | - | (883,695) | (2,286,107) |
| Income tax expense | | - | | - | - | - | | - | | | | - |
| Profit/(loss) after income tax | 755,655 | (2,013,721) | (171,276) | (79,677) | - | - | (1,048,074) | (192,709) | - | - | (883,695) | (2,286,107) |
| Other | | | | | | | | | | | | |
| Depreciation of segment assets | 131,663 | 2,497,095 | - | - | - | - | - | - | - | - | 131,663 | 2,497,095 |
| Amortisation of segment assets | - | - | - | - | - | - | - | 5,946 | - | - | - | 5,946 |
| Reconciliation of underlying EBITDA | | | | | | | | | | | | |
| Profit/(loss) after income tax | | | | | | | | | | | (883,695) | (2,286,107) |
| Interest | | | | | | | | | | | (4) | (2,245) |
| Taxation | | | | | | | | | | | - | - |
| Depreciation | | | | | | | | | | | 131,663 | 2,497,095 |
| Amortisation | | | | | | | | | | | - | 5,946 |
| EBITDA | | | | | | | | | | | (752,036) | 219,179 |

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.

DigitalX Limited
Notes to the Condensed Consolidated Financial Statements
For the Half-Year Ended 31 December 2015

| | Bitcoin mining | | Trading | | Software development | | Unallocated | | Mined Coins Transfer Elimination | | Total | |
|---------------------|----------------|-----------|-----------|-----------|----------------------|-----------|-------------|-----------|----------------------------------|-----------|-----------|-----------|
| | 31-Dec-15 | 30-Jun-15 | 31-Dec-15 | 30-Jun-15 | 31-Dec-15 | 30-Jun-15 | 31-Dec-15 | 30-Jun-15 | 31-Dec-15 | 30-Jun-15 | 31-Dec-15 | 30-Jun-15 |
| Segment reporting | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ |
| Assets | | | | | | | | | | | | |
| Segment assets | 402,639 | 1,182,787 | 2,648,202 | 1,368,323 | 822,530 | 382,736 | 968,457 | 2,657,720 | - | - | 4,841,828 | 5,591,566 |
| Total assets | 402,639 | 1,182,787 | 2,648,202 | 1,368,323 | 822,530 | 382,736 | 968,457 | | - | - | 4,841,828 | 5,591,566 |
| | | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | | |
| Segment liabilities | 278,800 | 81,178 | - | - | 20,052 | 25,423 | 341,571 | 580,306 | - | - | 640,423 | 686,907 |
| Total liabilities | 278,800 | 81,178 | - | - | 20,052 | 25,423 | 341,571 | 580,306 | - | - | 640,423 | 686,907 |

4. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

| | 31-Dec-15 US\$ | 30-June-15 US\$ |
|--|-------------------|--------------------|
| Cash at bank | 757,569 | 2,222,748 |
| Cash deposits at call | 2,228,004 | 385,355 |
| Total trade and other receivables | 2,985,573 | 2,608,103 |

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

5. CURRENT ASSETS – BITCOINS

| | 31-Dec-15 US\$ | 30-Jun-15 US\$ |
|-----------------------|-------------------|-------------------|
| Bitcoins | 402,639 | 1,011,230 |
| Total Bitcoins | 402,639 | 1,011,230 |

Bitcoins were fair valued using the mid-day Bitfinex price as at 31 December 2015 of \$430 (2014: \$320) per bitcoin. The total number of bitcoins mined during the period ended 31 December 2015 was 4,786 (2014: 9,717) bitcoins. All fair value adjustments are therefore assessed using Level 1 inputs, quoted prices in active markets. The asset is accounted for at fair value through profit/loss.

The current Bitfinex price for bitcoins as at 29 February 2016 is \$440.

6. CURRENT ASSETS – TRADE & OTHER RECEIVABLES

| | 31-Dec-15 US\$ | 30-Jun-15 US\$ |
|--|-------------------|-------------------|
| Trade receivables | 224,438 | 991,249 |
| GST receivable | 9,692 | 27,724 |
| VAT receivable - Iceland | - | 39,895 |
| Related party receivable | 156,061 | - |
| HashMax Inc. receivable | - | 165,064 |
| Other | 13,082 | 37,959 |
| Total trade and other receivables | 403,273 | 1,261,891 |

Refer to Note 12 for details of the Related Party Receivable

7. CURRENT ASSETS – BITCOIN MINING HARDWARE

| | 31-Dec-15 US\$ | 30-Jun-15 US\$ |
|--|-------------------|-------------------|
| Cost | 4,735,142 | 4,735,142 |
| Accumulated depreciation | (4,735,142) | (4,603,479) |
| Net carrying amount | - | 131,663 |
| <i>Reconciliation</i> | | |
| Carrying amount at beginning of period | 131,663 | 2,302,295 |
| Additions | 80,000 | 2,309,054 |
| Disposals | (80,000) | (848,673) |
| Depreciation charge for the period | (131,663) | (3,621,013) |
| Carrying amount at end of period, net of accumulated depreciation | - | 131,663 |

Included in additions for the period is \$80,000 for mining equipment that was received from the Mintsy Joint Venture as settlement for amounts owing.

8. CURRENT LIABILITIES – ACCRUED EXPENSES

| | 31-Dec-15 US\$ | 30-Jun-15 US\$ |
|--|-------------------|-------------------|
| Obligation under onerous contract* | 190,728 | - |
| Employee leave accrual | 90,408 | 19,569 |
| Audit fee accrual | 31,781 | 153,600 |
| Total trade and other receivables | 312,917 | 173,169 |

* The entity has assessed one of its power supply contracts to be onerous, concluding that the forecasted economic benefits derived from the contract will not outweigh the minimum contracted obligation at balance date. Management has recorded the accrual of \$190,728 as the net estimated loss on the contract.

9. ISSUES, REPURCHASES AND REPAYMENT OF EQUITY SECURITIES

a) Issued and paid up capital

| | 31-Dec-15 US\$ | 30-Jun-15 US\$ |
|--|-------------------|-------------------|
| 178,119,581 (2014: 168,722,977) fully paid ordinary shares | 21,249,214 | 18,549,930 |
| | 21,249,214 | 18,549,930 |

Movement in ordinary share capital

| Date | Details | Number of Shares | Issue Price A\$ | US\$ |
|-------------------------|----------------------------------|--------------------|-----------------|-------------------|
| 30 June 2015 | Opening Balance | 176,405,603 | | 21,068,773 |
| 19 August 2015 | Issue of shares to key employees | 1,713,978 | 0.15 | 182,195 |
| | Share Issue costs | | | (1,754) |
| 31 December 2015 | Closing Balance | 178,119,581 | | 21,249,214 |

The Group 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.

10. 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.

11. COMMITMENTS

Power and hosting

During the half year the Group entered into non-cancellable power and hosting contracts relating to its bitcoin mining equipment which has committed the Group as at 31 December 2015 to make future payments as follows:

| | 31-Dec-15 US\$ | 30-Jun-15 US\$ |
|---|-------------------|-------------------|
| Not later than one year | 911,816 | 2,211,572 |
| Later than 1 year and not longer than 5 years | - | 1,980,439 |
| Longer than 5 years | - | - |
| | 911,816 | 4,192,011 |

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.

12. RELATED PARTIES

During the half year ended 31 December 2015, the following related party transactions occurred:

- DigitalX Limited paid Mpire Media Pty Ltd (a company controlled by Zhenya Tsvetnenko) A\$25,729 for reimbursement of office rent, computer, telephone and office supplies incurred by the consolidated group. The consolidated group shares an office with Mpire Media Pty Ltd in Perth, Western Australia.
- Digital CC Holdings Pty Limited paid Karis Holdings Inc (a company controlled by Alex Karis) US\$65,221 for the reimbursement of office rent, computer and offices supplies, legal expenses incurred by the consolidated group, domain names, telephone and administration staff reimbursements for the personnel in the Boston office. The consolidated group shares an office with Karis Marketing Group in Boston, Massachusetts and these costs incurred by the consolidated group were charged through Karis Holdings Inc.
- DigitalX Limited paid Sibella Capital Pty Ltd (a company controlled by Brett Mitchell) A\$19,800 as part of non-executive director fees and provision of corporate advisory consultancy services.
- Digital CC USA LLC has provided a Credit facility to Karis Holdings Inc (a company controlled by Alex Karis) with a maximum limit of US\$250,000, of which US\$156,061 was drawn down during the period.

13. DISSOLUTION OF SUBSIDIARIES

In the 31 December 2015 period, the Group dissolved two of its wholly owned subsidiaries, Pass Petroleum LLC and Verus Energy Inc. The assets and liabilities of these entities, of which are not material to the group as a whole, were rolled up into the entities of the group, Pass Petroleum Pty Ltd and DigitalX Limited respectively. These asset and liabilities were assumed by those entities and therefore are not considered assets or liabilities of a disposal group or discontinued operations held for sale.

14. SUBSEQUENT EVENTS

| Date of event | Details of event |
|-------------------------|---|
| 8 January 2016 | As part of its overall shift of focus away from Bitcoin mining, DigitalX has signed an amendment to its Iceland power and histing contract with Verne Global, to allow for an early exit, for a consideration of \$300,000. |
| 17 February 2016 | DigitalX has signed a marketing distribution and sales agreement with one of the world's largest telecommunications groups that will give over 100 million mobile phone users access to AirPocket. |
| 17 February 2016 | Following the creditor meeting of the Mt Gox bankruptcy proceedings, which has arisen as a result of the suspension of trading on the Mt Gox online Bitcoin trading exchange on 28 February 2014, where Digital CC Trading Pty Ltd (wholly owned subsidiary of the Group) held approximately \$233,345 of bitcoins, which due to uncertainty over the recoverability of those bitcoins had been written down in the financial year ending 30 June 2014, a claim lodged by Digital CC Trading Pty Ltd has been accepted and approximately \$156,318 in Japanese Yen is expected to be received. Date for the distribution of claim has not been set. |
| 23 February 2016 | DigitalX has signed a Memorandum-of-Understanding with a Mexico-based payments provider that will allow its members to use the Company's AirPocket money transfer app. Provider is one of the Mexico's leading payment companies and the agreement paves the way for its users to send money from seven states in the United States to key Mexican cities and rural regions. It is anticipated that 500,000 users will transfer money through DigitalX's app every month in the first two year of the launch of the service, according to estimates from the provider. |
| 29 February 2016 | Since the reporting date, Bitcoin, Cash and Cash equivalent mix has changed. The Company holds bitcoin inventory of \$2.1 million valued at the Bitcoin price on 29 February 2016 and has \$0.9 million of cash and cash equivalents. |

There were no other reportable subsequent events.

| Net tangible assets per security | Current period \$USD | Previous corresponding Period \$USD |
|----------------------------------|-------------------------|--|
| Net tangible assets per security | 0.02 cents | 0.04 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 |
|--------------------|------------------------------------|--|
| Pass Petroleum LLC | 21 December 2015 | (4,066) |
| Verus Energy Inc | 18 December 2015 | (2,213) |

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 | 50% | 50% | 0 | 0 |
| Total | 50% | 50% | 0 | 0 |