

ASX ANNOUNCEMENT 28 JANUARY 2022

DECEMBER 2021 QUARTERLY REPORT

HIGHLIGHTS

- Lisa Wade, former Head of Digital Innovation and Sustainability at National Australia Bank, appointed new Chief Executive Officer to execute next phase of growth
- Quarter on quarter increase in cash at bank
- DigitalX Bitcoin Fund secures Australian first with investment grade research rating
- Execution of Partner Agreement with Digital Finance Cooperative Research Centre (DFCRC)
- Successful integration of Sell My Shares with Drawbridge to enable compliant employee share trading
- Sell My Shares revenue growth exceeding milestone targets from the acquisition

DigitalX Limited (ASX:DCC, OTCQB: DGGXF) ('DigitalX' or 'the Company') is pleased to provide its Appendix 4C cash flow statement for the quarter ended 31 December 2021 along with the following operational update.

QUARTERLY OVERVIEW

A. Summary of Working Capital Position

DigitalX had cash, listed digital assets and liquid unlisted investments of over AU\$51.51m in value as at 31 December 2021.

Name	Value (\$AUD)
Australian Dollars	\$7,381,331
Bitcoin ²	\$13,759,682
Fund units ³	\$17,480,932
Human Protocol	\$12,280,148
Other liquid investments ⁴	\$607,917
Total	AUD\$51,510,015

¹ Since the end of the quarter, the Bitcoin price has decreased from USD\$46,306.45 to USD\$36,164 at the date of this report.

² Total Bitcoin in treasury at 31 December 2021 was 215.95.

³ Includes total units in the DigitalX BTC Fund and DigitalX Fund based on the respective NAV at 31 December 2021.

⁴ Total excludes amounts for tokens pending listing and/or for which an active market is not observable.

⁵ USD/AUD spot rate at the quarter ended 31 December 2021 was \$1.3759

The Company had a quarter-on-quarter increase in the value of cash on hand, bitcoin and fund units, however total liquid assets for the period decreased by a total of \$1.58m from \$53.09m to \$51.51m.

The decrease was attributable to a decline in the value of Human Protocol tokens following a strong initial listing in the September quarter moving from USD\$0.93 to USD\$0.71 which still represents a significant premium to DigitalX's effective entry price of ~\$0.05.

The value of the Group's bitcoin holding and fund units increased by \$2.55m over the quarter with the price of bitcoin improving 5.75% over the quarter from \$43,790 to \$46,306 at 31 December 2021.

Total cash on hand increased \$170k from \$7.21m to \$7.38m primarily due to the receipt of proceeds from conversion of options of \$240k and repayment of a convertible note of \$250k.

Operating cash outflows also improved over the quarter with outflows falling from \$798k to \$253k. This can be primarily attributable to net inflows following the acquisition of the Sell My Shares business and performance fees for the funds division.

Total cash receipts for the December quarter of \$598k were up on the previous quarter from \$191k (213% increase) due to Sell My Shares receipts of (\$280k) and fund management and performance fees of \$280k.

Overall cash expenditure for the December quarter was lower at \$990k (September quarter: \$999k). The primary driver behind this was a decrease in administration and corporate costs from the previous quarter of \$240k which was primarily due to a number of annual and one-off corporate costs paid during the previous quarter (such as annual listing fees, annual general meeting costs, audit, OTCQB listing costs and professional costs associated with the acquisition of Sell My Shares).

Expenditure incurred during the quarter was comprised predominantly of:

- Staff costs of \$379k which represents an increase of \$39k on the prior quarter. This increase was in line with increased staff costs associated with the acquisition of Sell My Shares.
- Administration and corporate costs of \$179k, down \$192k on the prior quarter. A number of factors contributed to this decrease including the timing of payments in the prior quarter along with a number of annual and one-off corporate costs.
- Professional fees of \$181k, down on the prior quarter level of \$226k primarily due to one-off costs in the previous quarter related to the OTCQB listing costs.
- Marketing costs of \$183k, up \$121k on the prior quarter of \$62k. The increase on the previous quarter primarily relates to online advertising expenses for Sell My Shares.

In addition to the operating cash flows noted above, the Group incurred investing expenditure of \$60k for the quarter related to the development of the Drawbridge & Sell My Shares technologies.

In accordance with ASX Listing Rule 4.7C.3, \$59k was paid to related parties or their associates during the quarter, (down on the prior quarter level of \$144k), including Non-Executive Director remuneration and legal fees paid to Steinepreis Paganin (of which DigitalX Chair Mr Hicks is a Partner).

B. Business Activities

Overview

DigitalX's corporate objective is to generate a return for shareholders by growing the blockchain economy. In line with its strategy for achieving this, the Company has been continuing to execute on opportunities to deliver shareholder returns through both the development of new blockchain technologies and investment in digital assets as an emerging asset class.

The Company's management and team continued to drive value for shareholders within the blockchain economy over the quarter through initiatives that included:

- Appointment of highly experienced banking executive, Lisa Wade, as Chief Executive Officer. Lisa is formerly the Head of Digital Innovation and Sustainability at National Australia Bank (**ASX:NAB**). The appointment positions DigitalX with a team and leadership capable of executing its next phase of growth and development.

Ms Wade has a strong background in blockchain project development, having recently lead the Project Atom Central Bank Digital Currency project (CBDC), a collaborative research project between the Reserve Bank of Australia, CBA and Perpetual, and Project Carbon, a global strategic alliance tokenising voluntary carbon credits with Latu, CIBC, Natwest and NAB.

Ms Wade also has a strong background in funds management. Prior to her current role, she gained extensive experience managing investment portfolios with the Clean Energy Fund and the ESCOR Group. She has also been a Director at Citigroup where she specialised in arbitrage and derivatives. Ms Wade is an experienced trader with an in-depth understanding of pricing and investing in derivatives and financial products. In her role as Head of Community Assets at Bendigo Bank, Lisa specialised in developing financial structures to facilitate the acceleration of impact investment, including co-founding the Bright Energy fund, an early-stage investment in Future Super and co-creating RARI, Australia's first responsible investment ETF.

Ms Wade is expected to commence with the Company on 22 February 2022.

- Acceleration of Drawbridge through the integration of Sell My Shares to enable compliant employee share trading. During the quarter the Company also appointed Peter Hume as product owner to oversee the growth of Sell My Shares.
- Continued growth in the Company's Fund Management business through key new hires, development of offerings and strong performance and growth in new funds. During the quarter the Company's Bitcoin Fund received the first investment grade rating for a digital asset fund in Australia.
- Managing treasury assets including the Company's bitcoin holding, fund units and other listed digital assets.

DIGITAL ASSET FUNDS MANAGEMENT

DigitalX is the investment manager of digital asset investment products that provide qualified investors with a secure and traditional method to invest into the digital asset sector. The Company operates two professionally managed wholesale funds, the DigitalX Bitcoin Fund and the Digital Asset Fund, a diversified basket of leading digital assets. The DigitalX digital asset funds solve the technical and administrative challenges of investing in this emerging asset class.

Bitcoin Fund Secures Australian First investment grade rating

During the quarter the Company was pleased to announce that the DigitalX Bitcoin Fund (ISIN: AU60BQC79571) **received an investment grade research rating** from well-known and respected investment research house, SQM Research. The investment grade rating on the Company's Bitcoin Fund represents a significant milestone in that it is the **first research-rated digital asset fund in Australia**.

As part of the research rating process, the Fund has been reviewed on a number of key principle areas including strategy, team, performance, governance and compliance, fees and expenses, liquidity, and risks. Following this external assessment of the Fund's credentials, the investment grade rating now provides institutional investors with increased confidence for investing in the Company's Bitcoin Fund.

Fund Performance

At the end of the quarter the funds under management **had grown to \$33.59m representing a quarter-on-quarter increase of 17.8%** (and 12-month increase of 149.54%) due to an improvement in closing digital asset prices at 31 December 2021 and **new funds raised for the quarter of \$1.925m.**

The DigitalX Bitcoin Fund and the DigitalX Fund saw **gains for the quarter (net of fees) of 12.27% and 12.11% respectively.** This takes the 12-month gains (net of fees) to 68.01% and 238.28% for the two funds. The DigitalX Fund continues to achieve superior returns over the Eureka Crypto Hedge Fund (ECHF) Index despite having a lower-risk mega-cap, liquid investment strategy.

Business Development

During the quarter, the Company joined the Alternative Investment Management Association (AIMA) and presented at the AIMA Australia Annual Forum. In addition to this, the Company also joined the Financial Planners Association (FPA). These memberships provide further opportunities for the Company to promote and present the Company's fund products to its target market.

The Funds Management team continues to expand with the hiring of a new investment analyst and an additional business development executive.



DigitalX Head of Funds, Matt Harry, presenting at the AIMA Australia Annual Forum

PRODUCT DEVELOPMENT

DigitalX's product objective is to develop and operate scalable fintech and regtech solutions which leverage the unique characteristics of blockchain technologies to deliver more open, transparent and efficient services to customers.

The Company's two core products - Drawbridge and Sell My Shares - are well positioned for growth opportunities arising from the adoption of distributed ledger technologies within major financial securities markets such as the ASX.

Additionally, the Company is actively investigating the development of new applications at the frontier of blockchain technology development through its partnership with the Digital Finance CRC. Early stage concepts include the tokenisation of real-world assets, and the development of web3 infrastructure to support emerging internet economies such as distributed autonomous organisations (DAOs).

Drawbridge

Drawbridge experienced continued growth during the quarter in new listed company clients adopting the application to digitise compliance with their internal share trading policies and are set to be onboarded in January 2022.

During the quarter the strategic focus for Drawbridge was on the release of new features designed to service larger listed companies with greater employee numbers, as well as the execution of marketing strategies to acquire and build product awareness among target customers in the corporate governance profession.

The Drawbridge mobile app now provides directors and employees with a share trading feature, so that they can easily buy and sell shares subject to their internal trading policy. The feature was released after development work to integrate the app with Sell My Shares, the Company's recently acquired online trade execution business. As a result, Drawbridge users can now execute trades in-market upon receiving compliance approval. Importantly, this feature milestone is the first step in executing the product's monetisation strategy which is centred on driving transactional brokerage revenues beyond software as a service subscription fees.

Development work also progressed through design and planning discussions with ASX for becoming one of the first applications to integrate with Synifini - the ASX's distributed ledger technology platform. This will see the Drawbridge application utilise Synifini to host its cloud based DAML ledger, and enable future integration with other DAML based financial markets applications also within the Synifini ecosystem.

Ongoing marketing strategies to acquire additional clients were successfully implemented over the quarter, with Drawbridge producing and participating in selected industry events, panel webinars, thought leadership content, digital advertising campaigns, and lead generation through free services designed for its target customer base of governance executives. Additionally, the Company has commenced discussions with a share registry provider to consider the integration of Drawbridge as a solution to internal share trading compliance for their existing listed entity clients. Strategically, this would enable Drawbridge to potentially adopt a significant partner channel for acquiring a number of new Drawbridge users at scale.

Sell My Shares

Sell My Shares is Australia's leading provider of online share sales for customers seeking to complete a one off share sale without the hassle of opening an ongoing brokerage account. Common customer use cases include finding and selling shares that are lost, acquired via IPO or demutualisation, or needing to be sold by executors of a deceased estate. The Company acquired the business in September 2021 because of its ability to be integrated with Drawbridge, as well as its strategic potential to benefit from the expected upside of increased digitisation within Australia's financial securities market via the CHES replacement system.

The priority for the quarter was the successful completion of transitioning Sell My Shares' staff, systems, and office location to DigitalX. The move resulted in no negative impacts on customers and saw significant improvements in revenues. Actual revenue was 19% higher compared to the acquisition's milestones based on seasonally adjusted forecasts.

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Following Sell My Shares' migration to DigitalX, the Company has begun planning a development roadmap to grow the business through technology improvements and new service offerings to customers. Development has been prioritised to focus on items with the highest near term impact on revenue first, such as user experience improvements designed to increase customer conversion rates of existing visitors to the site. Improvements will be gradually rolled out over the coming months, and will provide a solid technical foundation for new service offerings to be brought to market later in 2022.

The Company has recruited Peter Hume to the role of Product Owner to oversee the planning and implementation of these activities. Mr Hume has a strong track record in bringing financial markets technology products to market, having previously worked in similar roles at Chevron, Corporate Governance Risk Pty Ltd, micro-investment app Bamboo, and share market information website Market Index.

Digital Finance Co-operative Research Centre

Following the successful establishment of the Digital Finance CRC (**DFCRC**) with over \$60M of grant funding, the Company has begun early stage scoping activities in defining its project involvement and areas of research focus expected to commence early in 2022. The DFCRC held its inaugural AGM on 20 Dec 2021.

The DFCRC brings together leading university researchers in partnership with industry to solve real world problems using leading technologies. DigitalX has begun the recruitment process for hiring several PhD candidates to undertake research on industry initiatives in partnership with DigitalX, focused on digital governance and asset tokenization.

Current areas of focus for DigitalX include risk and investment management strategies for realising a return from digital assets on corporate balance sheets, and how emerging digital organisational models such as decentralised autonomous organisations (DAOs) can be used for coordination of real-world investment decisions. Future proposals are expected to be developed later in the year for consideration in allocating funding to specific projects between industry partners such as DigitalX.

BAM and xbullion

Bullion Asset Management Services Pte Ltd (**'BAM'**) is a Singaporean bullion and digital asset business. DigitalX is a ~17.5% shareholder of BAM. During the quarter xbullion continued the development of its sales channels and growing assets under management.

C. Corporate Activities

Issue of Shares and Options

During the quarter the Company issued the following securities:

- 2,768,382 ordinary shares on conversion of options;
- 2,500,000 director options following shareholder approval.

OTCQB Listing

On 5 October 2021 commenced trading on the OTCQB market in the US.

The upgrade to the OTCQB offers the Company the opportunity to further build visibility, expand liquidity and further diversify its shareholder base in the US which has shown a deep understanding of blockchain and blockchain related companies.

Annual General Meeting

On 25 November 2021 the Company held its Annual General Meeting. All resolutions were passed by poll.

A copy of the presentation is available [here](#).

D. Outlook

DigitalX Acting Chief Operating Officer, Jonathon Carley said: *“We are pleased to provide our shareholders with another strong quarterly update headlined by the appointment of Lisa Wade as our new Chief Executive to lead the Company through its next phase of growth. While we have seen positive developments across all areas of the business, we are particularly encouraged by the successful integration of the Sell My Shares business over the quarter and its strong financial performance against our target, which we expect to continue to improve in the next quarter and diversify the Company’s revenue streams.”*

- Ends -

Authorised by the Board of DigitalX Limited.

For further information, please contact:

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About DigitalX

DigitalX Limited (ASX: DCC, OTCQB: DGGXF) is a technology and investment company focused on blockchain consulting, digital asset funds management, and RegTech. DigitalX’s consulting division designs and develops blockchain technology applications for business and enterprise organizations. Through its asset management division, DigitalX provides low-cost traditional asset management products for qualified investors looking to gain exposure to the growing alternative asset class of digital assets, including Bitcoin. DigitalX is currently commercialising Drawbridge, the Company’s first RegTech solution that supports listed companies in better managing their compliance and corporate governance policies. With Drawbridge, companies can manage employee and director share trading approvals in order to safeguard their reputations.

www.digitalx.com | <https://digitalx.fund> | www.opendrawbridge.io | www.sellmyshares.com.au

APPENDIX 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

DigitalX Limited

ABN

59 009 575 035

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$AUD'000	Year to date (6 months) \$AUD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	724	915
1.2 Payments for		
(a) research and development	-	-
(b) advertising and marketing	(183)	(245)
(c) leased assets	-	-
(d) staff costs	(379)	(719)
(e) administration and corporate costs	(179)	(550)
(f) professional fees	(181)	(407)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	23
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)	(68)	(68)
1.9 Net cash from / (used in) operating activities	(253)	(1,051)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(1,890)
(c) property, plant and equipment	(2)	(5)
(d) investments	-	-
(e) intellectual property	(60)	(161)
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$AUD'000	Year to date (6 months) \$AUD'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	250	250
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	188	(1,806)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	235	235
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	235	235
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,210	10,020
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(253)	(1,051)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	188	(1,806)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	235	235

Consolidated statement of cash flows		Current quarter \$AUD'000	Year to date (6 months) \$AUD'000
4.5	Effect of movement in exchange rates on cash held	1	(17)
4.6	Cash and cash equivalents at end of period¹	7,381	7,381

Note 1: At the date of this report, the Group also holds Bitcoin, listed digital assets and other unlisted investments not included above but which are considered to be highly liquid and can be converted into cash when required as set out on page 1 of the Quarterly Activities Report.

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 \$AUD'000	Previous quarter \$AUD'000
5.1	Bank balances	7,381	7,210
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)	7,381	7,210

6.	Payments to related parties of the entity and their associates	Current quarter \$AUD'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 ²	59
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note 2: Amounts paid to related parties includes Executive Director salary, superannuation and payout of accrued entitlements, Non-Executive Director superannuation, and legal & consulting fees.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$AUD'000	Amount drawn at quarter end \$AUD'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-

7.5 Unused financing facilities available at quarter end

-

7.6 Description of facilities

-

8.	Estimated cash available for future operating activities	\$AUD'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(253)
8.2	Cash and cash equivalents at quarter end (item 4.6)	7,381
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	7,381
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	29.17

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable

8.6.3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 28 January 2022

Authorised by: Board of DigitalX Limited

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.